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ABSTRACT

Labeled a "citizen assessment," this study evaluates the effects of Massachusetts 2-1/2 during the first year after its enactment. The law limited taxes and changed laws relating to school budgets. The study focused on two areas: (1) the effect of loss of fiscal autonomy on school budgeting procedures, and (2) the changes in school spending resulting from the law. The study found major changes in spending, which affected the majority of Massachusetts school districts as school budgets were cut more deeply than other budgets. The total first-year local revenue loss amounted to 9.3 percent with the larger cities and towns sustaining the largest budget cutbacks. Shifts of power profoundly altered school budget processes. Budget-making at all levels became less political and more hierarchical, while participation of citizens in local budget processes declined. School constituents were found to have less power over school budgets, while the indirect power of state government increased. Close to 12 percent of teaching positions statewide were cut. The study found that the allocation of budget reductions among school districts was educationally arbitrary; the schools in older, poorer areas with the greatest needs were hardest hit. The proposition had a traumatic effect on teacher morale. The study concludes that the impact of the law on Massachusetts schools is just beginning. (MD)

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PROPOSITION 2½ AND MASSACHUSETTS SCHOOLS

A Citizen Assessment of the First Year

by

Paul L. Shiman

October, 1983

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I. Introduction

1. Proposition 2½. On November 4, 1980, 2½ million Massachusetts voters--more than 80 percent of those registered to vote--went to the polls for the general election. Much of the interest was in the presidential election, and the state and federal legislative races. But there were also a number of significant referendum questions on the ballot. Question 2 concerned a law proposed by initiative petition, universally known as Proposition 2½ because of its central provision. The question was summarized on the ballot as follows (numbering has been added):

SUMMARY

The proposed law would limit certain taxes, and change laws relating to school budgets and compulsory binding arbitration.

(1) It would impose a limit on state and local taxes on real estate and personal property equal to 2½% of the full and fair cash value of the property being taxed. If a locality currently imposes a tax greater than 2½% of that cash value, the tax would have to be decreased by 15% each year until the 2½% level is reached. If a locality currently imposes a tax of less than 2½%, it would not be allowed to increase the tax rate. In either situation, a city or town could raise its limit by a 2/3 local vote at a general election.

(2) The proposed law would provide that the total taxes on real estate and personal property imposed by the state or by localities could never be increased by more than 2½% of the total taxes imposed for the preceding year, unless two thirds of the voters agreed to the increase at a general election.

(3) It would further provide that no law or regulation which imposes additional costs on a city or town, or a law granting or increasing tax exemption, would be effective unless the state agrees to assume the added cost. A division of the State Auditor's Department would determine the financial effect of laws and regulations on the various localities.

(4) The proposal would limit the amount of money required to be appropriated for public schools to that amount voted upon by the local appropriating authority [thereby ending school committee fiscal autonomy].

(5) It would also repeal the law which provides for compulsory binding arbitration when labor negotiations concerning police and fire personnel come to an impasse.

(6) In addition, the petition would provide that no county, district, or authority could impose any annual increase in costs on a locality of greater than 4% of the total the year before.

(7) The proposed law would also reduce the maximum excise tax rate on motor vehicles from $66 per thousand to $25 per thousand,

(8) and it would allow a state income tax deduction equal to one half of the rent paid for the taxpayer's principal place of residence.

The Question read:

> Do you approve of a law summarized below, which was disapproved by the Massachusetts House of Representatives on May 6, 1980, by a vote of 5-145. and on which no vote was taken by the Senate before May 7, 1980?

By the landslide margin of 59 to 41 percent, the voters did approve. Proposition 2½ was to be law.

2. Background. In one stroke the voters had radically changed the context and process of government for Massachusetts' 351 cities and towns. Why had they done so?

A full study of the background of Proposition 2½ remains to be done.[1] But some factors seem indisputable:

--A long-standing perception, particularly strong in the business community, that the level of overall taxation and expenditure in Massachusetts was very high relative to other states: Massachusetts was "Taxachusetts". Whether or not it was true--and it was frequently debated--its influence is undeniable.[2]

--An equally powerful perception that Massachusetts government was often corrupt or inefficient; the citizen did not get an adequate return for his or her tax dollar.[3] While Proposition 2½ was being debated, for instance, the Ward Commission was investigating corruption in the award of state building contracts. Periodic scandals in the city of Boston, always prominent in metropolitan newspapers, tended to affect attitudes toward all local government. And there was a general conviction that public employees, protected by patronage or civil service or unions or school fiscal autonomy, do not work as hard as others.[4] Polls consistently revealed a low level of public confidence in state and local government.

A portion of voter unhappiness was directed at the public schools. An analysis of voter attitudes based on a survey conducted immediately after the election found that 25 percent of the "Yes" vote for Proposition 2½ could be accounted for by perceptions of school inefficiencies, desires for less school spending, and expectations of more voter control.[5] Underlying this discontent is the fact that (to quote the study)

> local education spending in Massachusetts increased by 29% between 1976 and 1980 despite a 13% decline in the number of pupils. The resulting 47% growth in per pupil spending translates into a growth of nine percent in real terms during a period when real per capita income in the state grew by only one percent.[6]

--A high burden of property taxes. This perception is solidly supportable. The 1980 per capita property tax burden in Massachusetts was $555, 90 percent greater than

the national average of $290. Property taxes in Massachusetts constituted 56 percent of direct local expenditures, only 29 percent nationally.[7] High property taxes were at least partially offset by lower sales and other taxes; but the property tax, paid in large lump sums, is particularly visible and painful. And the problem was not a new one; unlike California, Massachusetts had experienced no dramatic recent rise in property tax rates. Between 1927 and 1980 no less than five special commissions and 126 legislative proposals called for property tax limitations; but none was enacted.[8]

A recent promise of relief had awakened unfulfilled expectations. The Governor had pledged in his 1978 election campaign to increase direct local aid by more than a billion dollars over three years to make possible large property tax reductions. In fact, the increase had been $190 million in his first year, and almost nothing at all in the year of the Proposition 2½ vote. Instead, he supported a cap on local expenditures, which did restrain property tax growth in its first year, but was routinely overridden for 1980-81 to cope with inflationary pressures and the failure to increase state aid.

--The precedent of Proposition 13. The first version of Proposition 2½, modeled after an old Massachusetts proposal, was introduced in the legislature just three days after California voters approved Proposition 13 in June of 1978.[9] Furthermore, Proposition 13 made the initiative route

an attractive one when the legislative one failed; and Proposition 13's apparent first year success was often cited by those who voted for Proposition 2½.[10] Few "Yes" voters were aware, apparently, that unlike Massachusetts, California had a large state surplus to cushion the initial effects of Proposition 13.

--Grassroots citizen leadership. Citizens for Limited Taxation (CLT), a seven-year veteran of previous tax-cutting campaigns, collected 70,000 signatures to qualify its petition for the 1980 ballot. It spearheaded the campaign for passage, with important financial assistance from the Massachusetts High Technology Council, a high tech lobbying group. Opposition was led by public employee unions which while well financed were hardly in a position to make a strong case to the general public, despite alliance with the League of Women Voters and some other public interest lobbying groups.[11]

--Optimism that Proposition 2½ would not cut services. A post-election voter survey[12] found that voters for and against Proposition 2½ shared a belief that corruption and inefficiency are widespread in Massachusetts government, and a desire to keep service levels high (except welfare), but sharply differed on their expectations concerning the effects of Proposition 2½. "Yes" voters were optimistic that Proposition 2½ would reduce waste and corruption, so that service cuts would not be serious; "No" voters were more pessemistic, partly because they tended to locate the problem

primarily in state government, and understood more often than "Yes" voters that Proposition 2½ placed no limits on state taxation and expenditure (since it did not utilize property taxation),

3. Crisis. Passage of Proposition 2½ initiated what is best described as a nine month governmental crisis in Massachusetts. At the center of it were state and local officials, who found themselves in a very uncomfortable position. Many of them had campaigned against Proposition 2½, prophesying terrible consequences for essential services if it passed. Now it had passed, by a statewide margin so decisive that except in those few communities which had voted against it, its mandate could not be questioned. Their leadership had been repudiated; but they were still in office, now with responsibility for implementing the new law in full view of a very suspicious electorate. And the law importantly changed the rules of their game; they would have to learn to play it all over again.

The situation of local employees was even more difficult. The game they now had to play was musical chairs: scrambling for remaining positions in the midst of wild rumors about the number and type of chairs that would have to be removed. Their unions could now do little for them except fight to influence the layoff rules.

Surprisingly, statewide civic leadership was little in evidence. The directors of CLT and (to a lesser extent) of the High Technology Council were well positioned to speak

for the supporters of Proposition 2½; and they did so frequently and forcefully. On the other side, leaders of the fight against 2½ (the League of Women Voters and the unions) withdrew to regroup. Having come together to step on the ant hill, the general public was now for the most part fragmented into individuals and local interest groups scurrying to hold on to the services most important to them.

The media served as mirror and perhaps magnifier of the turmoil. It was a difficult story to cover, because it was at least 351 stories. Boston Globe readers learned about Pelham (population 1200) which proclaimed itself too small to survive under Proposition 2½; about Freetown (population 7,000) which held an auction to raise money lost to 2½; about Hopedale (population 3,900) which announced it was firing its fire department. Filing clippings was an impossible task; it seemed that <u>every</u> story was about Proposition 2½. Indeed, in those months of crisis it seemed that every other word one heard or saw was "2½".

4. <u>This study</u>. During this crisis period Massachusetts school districts were struggling to prepare their budgets for the 1981-82 year, the first under Proposition 2½. The budget process was affected in two ways:

--Local school districts lost their fiscal autonomy, the power of their school committees to determine their own budget totals. Previously if a city council or town

meeting refused to appropriate funds for a school committee budget, ten taxpayers could take them to court to force the appropriation. Now the local appropriating authority could set its own cap on the school budget "bottom line". (However, this provision did not apply to Boston, governed in this respect by separate legislation). There were new actors in the school budget process.

--School budgets, like budgets for all other municipal services, were now heavily constrained by the limitations of Proposition 2½ on the local property tax levy, often requiring sizeable cuts in overall expenditures. Once the size of the pot was determined, schools, police, fire, public works, and other services would have to compete for their share of it; and similar competition would also occur among departments and programs within the school department.

Correspondingly, two major question and some subquestions provide the primary focus of this study of school budgeting for the first year of Proposition 2½:

(1) How did the end of fiscal autonomy affect school budgeting procedures? Who were the new actors, and what roles did they play? How did the roles of the old actors change? Who gained power? Who lost power?

(2) What changes in school spending resulted from Proposition 2½ in the first year?

--How was school spending affected? Were the effects distributed fairly among the Commonwealth's school districts?

--How successful were school districts in competing with other local services for a share of the reduced revenues? Were budget cuts distributed fairly?

--What strategies were employed by school districts to absorb required budget cuts? What kinds of priorities were adopted, and why?

Underlying both of these questions is a deeper and more difficult one: What was the first year impact of Proposition 2½ on the education of Massachusetts school children?

The study will draw from a variety of sources:

--research reports on the first year of Proposition 2½;[13]

--interviews conducted in six diverse municipalities with participants in school budgeting processes, including superintendents, principals, school committeemen, city councilors, city managers, mayors, and leaders of civic groups;

--newspaper articles in the Boston Globe and local newspapers;

--personal experience as organizer and chairman of an active local citizen group monitoring budgeting under Proposition 2½, and as a participant in (abortive) efforts to form a post-election statewide citizens coalition.

The paper is described in its title as "a citizen assessment". That is to say, its viewpoint is not that of a social scientist, or professional educator, or public administrator. Rather it is that of a college teacher who has also served as a consultant, administrator, or commission chairman in several Massachusetts cities, and

was drawn into the Proposition 2½ crisis as a parent and citizen deeply worried about its effect on local services in general, and education in particular. Some of these worries have proved exaggerated; some have not; and some new ones have emerged.

This paper, then, is in the nature of a personal report, a recapitulation of one citizen's education concerning Proposition 2½. Its aim is not merely to present the results of that education, but rather to share the educational process with the reader, and to recreate an extraordinary period of high drama.

The presentation has begun chronologically; so far as possible it will continue chronologically through the budget process: from determination of local revenue limits (Section II) through establishment of the school share (Section III), to articulation of school budget priorities (Section IV), and an account of the appropriation and distribution of new state aid (Section V). The final section summarizes the first year impact on school spending and decision-making, and discusses the impact on education. An attempt will be made to tell an orderly story; but it must be remembered that during the crisis period from November, 1980 through July, 1981 the situation was anything but orderly.

II. Determining local revenues

1. Implementing the law. Under Proposition 2½, the first order of business in municipal budgeting must be to establish the total amount available for expenditure in the coming fiscal year. Unfortunately, in the first year especially this was extremely difficult. Firstly, determination of the local limit on property taxes depended on specification of the total "full and fair cash valuation" of the property tax base; and this involved a briar patch of administrative, legal, factual, and political complications. Furthermore, the law set limits not on total expenditures, but only on specific sources of revenue; a municipality could seek to offset lost property and excise tax revenues elsewhere. Finally, it was possible to hope at least that one's community might be exempted from the worst effects of 2½ by state legislative action before the new fiscal year.

The State Department of Revenue assumed the burden of overseeing implementation of the new law, particularly its tax limitation features. The law became effective on December 4, 1980 (having survived legal challenges by municipal employee unions); but the Revenue Department delayed reduction of the automobile excise tax to January 1, 1981, and restrictions on property taxes until July 1, 1981 (the beginning of the 1981-82 fiscal year).

Excise tax losses, at least, were easy for a community to estimate. But they were not negligible. Statewide the excise tax shortfall for 1981-82 amounted to $145 millions, 30 percent of the eventual first year loss in local revenues.

And it is often forgotten that even before the first full fiscal year, communities lost some $70 million in excise tax revenues already budgeted for. The most immediate impact of Proposition 2½ was to force a belt-tightening (freezes on hiring, etc.) just to get through the 1980-81 year (and of course to build up a surplus for the lean years to follow).

The property tax limit for 1981-82 was interpreted to be 2½ percent of the full and fair cash valuation of a municipality's property as of January 1, 1981. But how was this to be determined? Clearly, in many cases one could not use actual assessed valuations; these were often long out-of-date, a small fraction of current market value (sometimes less than 10 percent). In fact, since the Sudbury decision of 1974, the Department of Revenue had been under court order to require revaluation of all taxable property at 100 percent of current market value.

But many communities found it expedient not to comply promptly. By February, 1981, upwards of 100 municipalities had not yet completed revaluations; some 25 (including most of the larger cities) were not scheduled to do so for another year.[1] In the absence of an up-to-date revaluation, the Revenue Department mandated use of a state measure, the so-called equalized valuation, based on periodic statistical surveys of market values, and used primarily to compare municipal tax bases for state aid distribution formulas.[2]

In December and again in February the Department issued widely publicized estimates of property tax limits and first

year revenue losses for most cities and towns. By the February estimate, about half (mostly small towns) would not have to cut property taxes (though they would of course lose excise tax revenue). Of the other half, more than 80 would be "15%" communities, subject to the maximum first year reduction (and perhaps to additional cuts in subsequent years). Every one of the 30 largest cities and towns, with almost half the state's population, fell into this category.[3]

2. An example. Among them was listed the City of Newton, whose situation, while by no means typical, is instructive. A relatively affluent residential suburb of Boston,[4] (1980 population 83,000), Newton had carried out a revaluation a few years back, but rejected it after a flood of homeowner protests. The city was scheduled for revaluation in time for 1982-83, but not 1981-82. The Mayor had been in no hurry, not only because of the political pain of revaluation, but also because the undoubtedly lower equalized valuation had made Newton eligible for more state aid under the so-called lottery formula. (See V.1 below)

Now however the equalized valuation was being used for a new purpose, to determine the base for property tax limits. As such, it was disastrous for Newton: according to the published Revenue Department figures, Newton would lose $11 million in property tax revenues alone during the first year. Being a good mayor had previously meant minimizing the city's official tax base; now the name of the game was to maximize it.

There were determined efforts to substitute a higher estimate of total property value for the equalized valuation, in lengthy negotiations with the Revenue Department and a subsequent court suit. When these failed there was no alternative except somehow to complete an accelerated revaluation in time for use during 1981-82 (now only three months away). With the help of a lenient Department of Revenue (which allowed completion of revaluation more than halfway through the fiscal year), and special state legislation allowing use of estimated tax bills before completion, Newton succeeded in increasing its official tax base to a value requiring no first year property tax losses at all under 2½. (Of course, it lost excise tax revenue, and inflation took its toll).

The Town of Arlington, in a similar situation, was not so lucky. It had already contracted for revaluation with an outside firm; and the firm refused to accelerate the process. Therefore Arlington was faced with a first year property tax loss of $6 million.

It was especially important to maximize the tax base in the first year of Proposition 2½ because of what has been called "the second 2½ in 2½". Once the tax rate reached the 2½ percent maximum (by yearly reductions of up to 15 percent if necessary) total property taxes could increase by a maximum of 2½ percent per year, no matter how fast the tax base grew. Therefore, sizeable upward revaluations after the first year could not be immediately reflected in the tax rate. (This "no-growth" provision

has since been amended to allow growth through new construction or renovation--but not revaluation).[5]

Thus an unanticipated consequence of Proposition 2½ was a strong first year impetus to finish revaluation.[6] Ironically, many homeowners found their resulting tax bills higher, not lower, in consequence of shifts of the tax burden from previously overvalued residential and commercial property. Many but not all communities compensated for this by recourse to "classification": allowable taxation of non-residential property at higher rates within the overall 2½ percent limitation. Still, utilities particularly received large first year windfalls.[7]

3. Alternative revenue sources. Once the property tax limits were fixed, the quest for revenue had to turn elsewhere. The options were however very limited.

--Alternative local taxes. Cities and towns cannot impose local taxes without state authorization, which they do not receive. Boston, for instance, periodically has sought permission for local taxation of commuters and visitors, so far without success.[8]

--User fees. This was a more promising direction. HELP!, a well-titled post-election publication of the Massachusetts Municipal Association, listed a number of local services that might be made self-supporting (Proposition 2½ stipulated that the fee must not exceed the cost of service):[9]

--permits and licenses;
--water and sewer services;
--parking and recreation;
--ambulance service;
--services to tax exempt institutions.

Analogously, a January Department of Education memorandum outlined the possibilities for school fee expansion, and limitations on them. No fees could be charged for participation in most courses given for academic credit or mandated by state law (or for materials required by them, like textbooks). But there was a considerable list of services, typically allowing revolving funds, that could be fee-supported:

--athletics (through admission fees);
--non-curricular driver education;
--adult education;
--summer schools;
--school lunch programs.[10]

Fees for participation in extra-curricular activities, such as athletics, constituted a gray area, much argued locally, and even on the sports pages of the Globe.

There is little statistical data on fee adoption or increases; but no doubt these were universal tactics, in some form.[11] In some localities (e.g., Cambridge), they became a significant source of new income.

--Federal aid. This had been a declining source of ~~local~~ municipal revenue at least since 1976, and could be expected to decrease still further under the new administration. In fact, those experiencing most federal cutbacks during 1976-80 were just those hardest hit by Proposition 2½.[12]

--State aid. This seemed at least a reasonable hope. But while budgets were being prepared in early 1981 it was just that, a hope, rendered less reasonable by the Governor's proposed state budget, which included only $37 million in new local aid, less than 10 percent of local

revenue losses under 2½. We will take up this theme again after finishing with the local budget processes; it was only resolved then.

--Fines for parking and traffic violations. It is not customary to list ticketing of motorists as a revenue source. But in these desperate days it received serious attention, since the courts returned a large proportion of fines to the municipalities (when they got around to it). One city sent volunteer clerks to the courthouse to speed up fine collection. And it is not surprising that in this period police and meter maids became much more zealous in enforcing parking and traffic regulations, and "booting" scofflaws.

--Fundraising events and campaigns. Freetown, we have noted, held an auction to raise money for town functions. The mayor of Worcester announced he was going to jail, and would remain until the citizens bailed him out, with the proceeds going to a fund for school athletics. In Upton, the teachers volunteered to substitute teach during their free periods, saving the school $7,000. But it is safe to say that the spirit of giving could not solve the problems created by Proposition 2½.

--Borrowing. This was not a wise strategy, since the fiscal pinch of Proposition 2½ would not lessen in subsequent years. And it was next to impossible anyway. Bond interest rates grew; and lending institutions were reluctant to invest. 13 Massachusetts communities, which issued a total of 64 bonds

in 1980, issued only 6 in 1981. Instead they in effect borrowed from themselves, using up one-third of their surplus "free cash" reserved for unforeseen bills (e.g., in bad winters).[14]

4. Fighting 2½. A number of communities hard hit by Proposition 2½ had voted against it. Cambridge, Brookline, and little Pelham among others filed home rule petitions asking the legislature to allow them to override Proposition 2½ (in Brookline's case, by two thirds vote of a May town meeting). Their argument was simple: They had opposed it, and their services should not be hurt by it. Proposition 2½ itself made local override very difficult: It required a two thirds vote at a November general election, too late to affect the first year.

The legislature approved no home rule requests. CLT advocates for Proposition 2½ argued that the statewide majority for Proposition 2½ had precedence over any local majorities against it; that only the voters should be able to override it, after an opportunity to live with it; and finally that Brookline (for example) spent 32 percent more for its schools than eleven other communities in the area, and would benefit by budget cutting.[15] And opponents of Proposition 2½ like the co-chairmen of the Joint Committee on Taxation opposed piecemeal local revisions that would make comprehensive ones less likely.

The co-chairmen hoped that a series of February hearings around the state would bring forward large numbers of citizens outraged by threats to their local services, and supportive

of alternatives to Proposition 2½ or amendments to it. But in fact these hearings were attended largely by local officials and employees, in one case bused in by a union,[16] whose opposition was too obviously self-serving.

One thing, at least, quickly became clear: At least for the first year, the cities and towns would have to live with Proposition 2½ unchanged.

III. Determining the school share

1. Local diversity. With the end of fiscal autonomy, school budgeting became part of one municipal budget process, and school committees elected to oversee school departments had to compete with other municipal programs and services for a share of available revenues.

The magnitude of the change should not be overstated. School committees in Massachusetts had not levied their own taxes. Rather, their budget had been incorporated by mayors, managers, or finance committees into the municipal budget, with their share of the tax dollar indicated on tax bills. And that share was of course a subject of great interest and often acrimony to other local officials. Especially so in the two years prior to the adoption of Proposition 2½, when total local operating budgets (including the school budget) had been subject to a state-mandated but easily overridden cap.

Furthermore, school committees retained an important prerogative under 2½. In early January, the state commissioners of Education and Revenue issued a joint memorandum emphasizing that the local appropriating authority now had the power to determine the total appropriation, or "bottom line" of the school budget; but that Proposition 2½ did not remove from a school committee "its power and duties to operate and manage the public schools by determining how the appropriated budget is to be spent."[1]

Nevertheless, the context of school budgeting had now

fundamentally changed. How in fact were school "bottom lines" now determined?

In one sense there are as many answers as there are school districts in Massachusetts, as becomes apparent if one briefly examines some of the dimensions of their diversity.

--Relation to municipalities. 297 Massachusetts school districts are municipal. But the picture is complicated by 52 regional academic and 27 regional vocational school districts. These are funded by member communities under contractual agreements. The end of fiscal autonomy meant that their school committees now had to negotiate with all member appropriating authorities. If one member chose to reduce its contribution--which it now could do--then there were ripple effects throughout the region, by rules concerning proportional contribution.

--Demographics[2]. The largest city is of course Boston (1980 population 650,000) followed by Worcester and Springfield (165,000) and eight cities in the range 75-110,000 (Brockton, Cambridge, Fall River, Lowell, Lynn, New Bedford, Newton, Quincy). Most of them had been losing population, particularly to towns in the southeast shore area (e.g., Plymouth), and along the new interstate Rte. 495. At the other extreme, there are some very small towns, the smallest being Mt. Washington (population 80). Per capita incomes ranged from $21,000 in suburban Weston to $4500 in college town Easton, while percentages of residential property were as high as 91 percent (Longmeadow, Arlington),

and as low as 35 percent (Boston, Chelsea). There was enormous variety, too, of ethnic and racial composition, average level of education, geographical situation, and economic base.

--Form of government. There are 312 towns, and 39 cities. The towns are governed by town meetings, 266 of which are open to all voters, while 46 are composed of elected representatives. All towns have Boards of Selectmen elected by the town meetings, except five with town councils. In 31 towns there are town managers: in 86 others there are other administrative officers answerable to the selectmen. In all towns there are finance committees (by some name) responsible for advising town meetings on budget matters; but the method of their selection varies greatly.

Most of the 39 cities have some variant of a mayor-council form of government. The powers of the mayor vary considerably; in Boston, Newton, and "Plan A" cities, for instance, the position is a strong one; in Lynn and "Plan B" cities the city council has more power over appointments and appropriations. Four cities have city managers, and largely ceremonial mayors elected by the city council; one of them (Cambridge) elects its council by proportional representation. Lawrence has a Commission form of government, while Everett reputedly is the last city in the United States to have a bicameral legislative body. With several exceptions, most have non-partisan elections. In a number of cities the mayor sits on the

school committee, sometimes as chairman. And the state legislation authorizing all this is scattered in special legislative charters, and a great number of special acts and general laws.[3]

When one adds to these dimensions of community divergence local differences of personality, politics, and administrative style, and finally, the variations of Proposition 2½'s fiscal impact, it ought to be very clear that we are dealing with 351 special cases. Still, some generalizations are possible. We shall present some brief case studies illustrating important alternative ways of determining the school share. And in Section VI we summarize data on the results of these allocations, and venture some generalizations about shifts of power.

Before launching into the case studies, a comment is needed about the legal roles of mayors and city managers in budgeting under Proposition 2½. Section 7 of the law gave the power to specify the school appropriation total to "the legislative body of the city or town". This left it unclear whether mayors, in submitting a municipal budget to that body, must merely pass on the school budget total as recommended by the school committee, or could demand cuts in that total prior to submission. Since mayors and managers are legally required to submit a balanced budget, the question was of great practical importance in determining how much money would be available to them for budgeting of non-school services and fixed costs.

In April, 1981, a Superior Court judge ordered the

Medford City Manager not to cut the School Committee budget request.[4] In May, the State Department of Revenue and the Education Department issued legal memoranda on opposite sides of the issue. It was not definitively resolved for another year, when the Supreme Judicial Court found that the Leominster mayor had the power to reduce the school committee request before submitting it to his city council.[5] In the absence of a resolution, city executives were left pretty much on their own during the first year.

2. Examples.

--Boston. Of the 351 special cases, the most special, and certainly the most publicized, was Boston.[6]

In the first place, its legal situation under Proposition 2½ was unique. While the city was subject to the tax limitations in the law, the repeal of fiscal autonomy did not touch it, superseded by longstanding special legislation. In Boston the Mayor could cut the School Committee budget, but not below the previous year's appropriation; the schools were assured of at least level funding. Prior to Proposition 2½ the Boston School Committee had less autonomy than other school committees; now it had more.

However, in early 1981 the Proposition 2½ crisis ~~was~~ in Boston was only a rather small part of a larger and more immediate crisis. Under the so-called Tregor decision, now being enforced by the courts, Boston would have to repay $90 million to $125 million in rebates to over-assessed commercial

property owners. As part of his austerity program, the Mayor had told the School Committee in September, 1980 that it would have to live with a level-funded budget of $195 million, not the $236 million it had requested. But the Committee had already signed a three year teachers' contract permitting no layoffs in the first two years. It sought court relief and continued to spend at the higher level. There were prophecies that the schools would run out of money and have to close in February, 1981. The Mayor meanwhile was threatening to lay off policemen and firefighters, and seeking a "Boston bail-out" from the financial community and the State House that would resolve his Tregor woes and keep the schools open.

Proposition 2½ entered this situation as one additional element of the crisis, that would cost the city another $100 million in lost revenues in the following fiscal year. There was no question of seeking exemption from it. Boston property taxes were currently 11.4 percent of equalized valuation, the highest in the state; and Boston voters had voted for Proposition 2½ by a margin of almost two to one, despite a large number of resident public employees.

Still another complication was administrative discontinuity in the schools: In one year the School Department had four superintendents--one dismissed, one dead of a heart attack, one temporary. And it did not help that a School Committee member was indicted for bribery and extortion in connection with the award of a school bus contract.

The immediate financial crisis was somehow surmounted. In February the Supreme Judicial Court ordered an additional

school appropriation of $15 million for contractual raises and benefits; and in April the legislature agreed to advance $9.4 million in state aid to keep the schools open. The School Department claimed that it would need another $30 million to get through the year, and each week was thought to be its last. But in July the actual deficit was found to be much smaller (although still substantial).[7] Whether the discrepancy was due to austerity measures or simply to poor bookkeeping was not immediately apparent.

Now finally Proposition 2½ had to be faced. The Mayor again demanded level funding, at $210 million--in fact a cut of $20 million or so from the actual deficit spending. This time the School Committee accepted the limit, and voted in August to lay off nearly 1000 teachers, one fifth of the teaching staff, in order to stay within it. The teachers' union responded with threats of a strike.

One more power center, remaining from an earlier school crisis, was now heard from. The Boston schools were still under federal court order to desegregate. The judge now handed down affirmative action guidelines for layoffs, requiring that four whites be laid off for every black to keep the percentage of black staff at 19 percent. This however violated union seniority rules; the union appealed the ruling.

This account of crisis as an apparent municipal way of life has perhaps gone on long enough. It indicates that the Boston School Committee, while retaining a measure of fiscal autonomy, was nevertheless hard pressed to live with level funding. Some thought the pressure long overdue. By state Department of Education

formula Boston spent $3300 per pupil in 1980-81--one of the highest rates in the state. But the Boston Municipal Research Bureau pointed out that when $95 million in federal and state grants is factored in the true cost is seen to be $5300 per pupil.[8] In an April address, the State Commissioner of Education launched a fierce and very unusual attack on "unjustifiable" spending in the Boston School Department. According to a Boston Globe account, he unfavorably compared the Boston system with Springfield, which also has a high minority enrollment, a majority of needy children, and a desegregation order. Springfield provides more vocational education and produces better reading scores among ninth graders than Boston, at lower cost, he is reported to have said. And he is quoted as continuing,

> Total School expenditures in 1979-80, including federal funds, were almost $285 million in Boston and just over $66 million in Springfield. Boston has two and one half times as many students as Springfield but spends more than four times as much.[9]

--Newton. This suburban city of 83,000 has been well-known for strong support of its schools. Its response to Proposition 2½ well illustrates that support.[10]

By its 1970 charter, Newton elects a strong Mayor every four years, and a 24-member Board of Aldermen every two years. The Mayor is an ex-officio member (but not chairman) of the otherwise biennially elected 9-member School Committee.

In December of 1980 the School Committee issued its

annual guidelines to the Superintendent for preparation of his budget, after prior consultations with him. In this year of Proposition 2½ (Newton voters had narrowly opposed it), he was instructed to cut $3 million from a projected budget total of $40.8 million. The projected budget was the current budget adjusted for contracted pay raises and inflation; the cut brought it back to approximately level funding (slightly less).

The essential rationale of the $37.8 million guideline was that by the city's own estimates of its property value (which differed from the state's preliminary estimate--see II.2 above) a level-funded total municipal budget should be achievable under Proposition 2½. But the important point here is not the amount, but the fact that it was the School Committee's figure. Through all the twists and turns of the budget process, commitment to the quality of education in Newton was interpreted by school supporters as commitment to a $37.8 million school budget. And indeed, that was the amount of the final School Committee budget request, and that was the amount which was approved by the Board of Aldermen. Despite uncertainties sometimes approaching panic concerning the city's revenue outlook, the Superintendent and School Committee consistently refused even to discuss budget fall-back positions, lest ammunition be given to school department critics.

The Mayor's role in the school budget process was complex. He had been advised by the City Solicitor that Proposition 2½ was ambiguous concerning mayoral powers over

the school budget. In December he was reported as commenting that "now the School Department budget will be reviewed by the executive and the Board of Aldermen". But in fact he never officially sought to reduce the budget total. As a member of the School Committee, he voted for the original $37.8 million guideline in December, and abstained from the final budget vote in March. And his budget recommendations to the Board of Aldermen in April included the School Committee request unchanged.

A ten-year veteran, the Mayor had been a consistent supporter of the Superintendent and the schools; and no doubt had no desire to appear as the villain to school supporters just before he came up for re-election. So most of his considerable energies and skills were devoted to increasing the official property valuation (II.2 above) and restructuring the financing of municipal services (e.g., introducing a sewer use fee, and contracting out the ambulance service).

However, unofficially and in private the Mayor forcefully argued for various school budget savings. The Superintendent was called in for instance to speak long distance with an Idaho superintendent who was reputed to have achieved good educational results with larger classes.

There was a history of antagonism between the Board of Aldermen and School Committee, and school supporters were nervous about the Board's new powers. It considered the school budget in three stages. The Human Services Committee after a hearing first supported the school budget: but two

days later in executive session voted to cut $20,000 in order to restore equivalent funding on the municipal side. The School Committee cried "foul!"; but the incident illustrated the new Proposition 2½ crunch: What was added to one budget must be subtracted somewhere else.

The Finance Committee's turn came next. The Chairman insisted that it was necessary to examine school budget line items in order to make a judgement about the bottom line. The School Committee protested but complied. 150 school supporters were mobilized to attend the hearings--more than had attended School Committee hearings. The Finance Committee finally voted to cut $250,000, an amount earmarked for payment of unemployment compensation claims, and place it in budget reserve under their power.

However, the full Board overruled both committees, and voted the full school budget request, in approving the total city budget as recommended by the Mayor. Signs that school supporters were now organizing to influence the coming aldermanic elections may have had some effect.

Thus in the first year of Proposition 2½ the Newton School Committee was successful in preserving a <u>de facto</u> fiscal autonomy. But fundamental to this achievement was the success of the Mayor's crash property revaluation which made possible level funding under Proposition 2½. And underlying both of them was Newton's property affluence, unique among the larger cities. The dike was clearly cracking. After the Leominster decision and two years of the Proposition

2½ crunch, the Mayor recently used his judicially enlarged powers to cut $750,000 from the school budget.

--Arlington.[12] A suburb of Boston and Cambridge, Arlington is an overwhelmingly residential town of 48,000. It has a representative town meeting, and a Town Manager appointed by the five-member Board of Selectmen. He has great power over all departments except the Selectmen, Treasurer, Comptroller, Finance Committee, Board of Assessors, and the Schools.

Arlington has prided itself on efficient and responsive government, keeping taxes relatively low, but service levels and citizen involvement high. In 1980 its property tax levy was $608 per capita, low in relation to comparable cities and towns (Newton raised $879). Still, Arlington voted for Proposition 2½, 16,000 to 10,000.

The major steps of the school budget process before Proposition 2½ were as follows:[13]

(1) By December 20 the School Committee was required to give tentative approval to a complete budget. Since 1977 a program budget format had been used. Budget components were developed by school administrators working closely with School Committee subcommittees: elementary, secondary, pupil personnel, and operations and maintenance.

(2) In February the budget was normally reviewed by the Town Finance Committee, a 21-member appointed body which advises the Town Meeting on all budgetary matters.

(3) In March the School Committee considered revisions suggested by the Finance Committee and a public hearing

and voted its final approval of the budget.

(4) In late March or April the Town Meeting received the final school budget in the form of an article in the warrant (i.e., one of the list of expenditures to be decided). Members voted on the Finance Committee's motion to approve or not approve the budget.

Under fiscal autonomy, the School Committee was usually assured of success at the Town Meeting. The Courts would uphold the right of the School Committee to determine how much money it needed to run the schools, exacting penalties for Town Meeting resistance.

Under Proposition 2½ there was no such guarantee. Now the Finance Committee budget review and recommendation became much more important, the final School Committee vote much less important (at least with respect to the budget total). And clearly the School Committee required guidance at an earlier stage in its deliberations, before the tentative December vote.

In the first year of Proposition 2½ the preliminary estimate was that Arlington would lose $6.2 million, or 20 percent of its local tax revenues (assuming that the State's equalized valuation would be used as the measure of property value). How much must be cut from operating budgets, and how were these cuts to be distributed? The Chairman of the Finance Committee concluded that the total cut from operating budgets would be 20 percent, and that it should be allocated in proportion to the size of

current departmental budgets. The School Department share was about 50 percent, or $3.1 million. This guideline was accepted by the Town Manager, the Board of Selectmen, and the School Superintendent.

The Superintendent had already prepared a pre-2½ budget totalling $17.1 million, an adjustment of the current $16.4 million budget for inflation and pay raises. Now he also prepared a "worst case" budget of $13.3 million as required by the Finance Committee Chairman's guideline. However, the School Committee, which had not been a party to the guideline, refused even to debate it. Instead a third budget of $14.9 million was prepared, which the School Committee felt was the minimum that they could live with. On the eve of the public hearing they gave it tentative approval, in the hope that it could be funded through revaluation, state aid, or savings elsewhere in the town budget.

In the absence of firm revenue totals, the Finance Committee recommended postponement of the Town Meeting until June. In early May, the Selectmen organized an ad hoc Budget and Revenue Task Force, composed of the Finance Committee Chairman, Town Manager, Treasurer, Comptroller, School Superintendent, and a Selectman. This group reduced the total cut required from $6.2 million to $2.5 million, mainly by utilizing their state legislator's (accurate) prediction of new state aid and by committing almost all of the town's "free cash" surplus. As a result, the Finance Committee was able to recommend to the Town Meeting an

increased school budget of $15.4 million, which was adopted.

Thus the Arlington first year "bottom line" emerged from a complex cooperative interaction of a number of town leaders. But this was not new; behind it, they emphasize, was a history of good relationships, particularly between Superintendent, School Committee, and Finance Committee.

--Worcester.[14] A metropolitan central city of 162,000 forty miles west of Boston, Worcester has a "Plan E" Council-Manager form of government. The city is administered by a City Manager appointed by the City Council. Legally the Council can subtract but not add to the Manager's budgets; but he is described as responsive to its requests. The Council chooses one of its number as Mayor, whose main duties are to preside over the Council and also the School Committee.

The incumbent Manager in 1980 had served for thirty years, and was legendary as a powerful and politically adroit administrator. Before Proposition 2½ he of course had no legal power over the School Committee budget total, but it seems clear that in fact he had some role in determining it. He already supervised the Worcester Vocational-Technical HIgh School; no great change under Proposition 2½ was required to bring the School Department also more directly under his administrative wing.

Worcester was a "15%" city, required to lower its property levy by 15 percent or $12.5 million in the first year while losing $3.4 million in excise. The City Manager allocated

1981-82 budget cuts among his departments (now including the School Department) strictly and mathematically in accordance with their percentage of the current 1980-81 budget; the school share was 42 percent. Department heads were instructed to prepare three budgets, at 100 percent, 66.7 percent, and 33.3 percent of the required revenue cuts. The strategy was to begin with the deepest cuts, and "put back" positions and programs as the city found new sources (e.g., user fees) to fund them.

By February the middle budget was the operative one. Accordingly, the Superintendent prepared a 1981-82 budget cutting $4.5 million (8 percent) from the current year total of $55.4 million. After only three meetings the School Committee approved it. According to a member, there was considerable time pressure from the City Manager, and very little back-up information in the budget.

By the middle of March the City Manager had not yet submitted his budget to the Council, while awaiting further clarification of the city's revenue picture. There was hope that in the end the "best case" 33.3 percent cut budget level would be achieved, through new state aid. But these hopes were dashed when Worcester received a demand from the State Department of Education for repayment of some $4.7 million in miscalculated <u>previous</u> educational aid.

Worcester's first year response to the end of fiscal autonomy illustrates a third pattern. Here the School Superintendent became subject to the direct budget supervision

of a strong executive, like any other department head, while the School Committee's role was at least temporarily weakened if not effectively eliminated.

--Lynn.[15] This north shore city of 78,000 is a declining manufacturing center, with a proud history but many of the current problems of an inner city.[16] It has a Mayor-Council form of government in which the Mayor, elected for a two-year term, also is ex-officio Chairman of the School Committee.

Lynn has a tradition of intense politics, manifesting itself in a multiplicity of power centers which engage in on-going competition for dominance. Thus the Council has played a strong role in the supervision of executive departments, although often itself fragmented into the differing interests of its ward constituencies.

By Department of Revenue estimate, Lynn's effective property tax rate in 1980-81 was second only to that of Boston; and almost 70 percent of its voters supported Proposition 2½. It was scheduled to lose approximately $9.5 million in tax revenues in the first year: the total required budget cut (from the current total adjusted for inflation and pay increases) was estimated to be $15 million. Of this amount the school share was according to the Mayor $7.5 million; according to the City Council, it was $6.2 million; while the School Committee itself argued for $3.75 million.

The School Committee had directed the Superintendent to prepare budgets for each of these bottom lines; but in

April it was preparing to approve the $3.75 million version (despite the Mayor's role as Chairman). It argued that Lynn's school budget is really offset by some $17 million in Chapter 70 state educational aid which goes into the general fund (see V.1 below), so that the school share of local revenue losses is effectively only 25 percent, or $3.75 million. The Committee feared that if it approved deeper cuts they would become final; past experience made it unlikely that the Council would return any new state aid to the schools. However, it was under no illusion that the battle was won; it expected the Council to send the budget right back for further cuts.

Thus in Lynn we find still a fourth procedural pattern of response to Proposition 2½: budgetary warfare between several elective centers of power, with the School Committee in a legally weakened position, but retaining considerable political clout. In late April the budgetary outcome was still in doubt.

3. Budget process patterns. The school budget processes that have been briefly characterized illustrate two general points that might perhaps survive further inquiry into the enormous diversity of Massachusetts localities and their responses to the loss of fiscal autonomy under Proposition 2½. 17

Firstly, these responses do seem to exhibit one of a relatively small number of basic patterns. In the determination of school budget totals we have seen instances of

--strong School Committee leadership;

--cooperative negotiations between school officials and other municipal officers;

--executive leadership all but eclipsing the School Committee; and

--intense political struggle between School Committee and other elective power centers.

Other patterns are possible, and no doubt somewhere actualized (e.g., budget processes in which a Superintendent plays the dominant role); and of course most cases will fall somewhere between the extreme cases; but the examples described perhaps suffice to make the point.

This is not to say that the patterns are equally likely. In VI.2 below it will be suggested that Proposition 2½ strongly encourages budgetary centralization, as one survey of case studies has found. But it does not enforce it.

The second general point is that the local response pattern emerges naturally and perhaps predictably from the local style of politics and governance. No doubt the formal governmental structures are important in setting a legal context for the local political subcultures; but these are enormously influential in their own right. Adaptation of old institutions to a new crisis situation follows paths prepared in advance.

IV. Determining School Priorities

1. The context of school budgeting. While still uncertain about the total school appropriation, school committees and superintendents had to prepare detailed school budgets, often involving large cutbacks. Complicated enough under normal circumstances, under Proposition 2½ budget-making was often excruciatingly painful as well.

The state Department of Education tried to make it a little easier. Proposition 2½ was directed in part at state mandated but unreimbursed local expenditures. The Education Department reviewed its mandates, and modified regulations or introduced new legislation for instance allowing increases in lunch and adult education charges, and reducing requirements for pupil transportation. It also reviewed the regulations of Chapter 766, the law mandating large local expenditures for special education; but successfully resisted attempts to substitute a weaker federal law for Chapter 766, as advocated by the Massachusetts Association of School Committees.[1] It is significant that while one often heard expressions of great unhappiness about the demands of Chapter 766, its base of support was such that it did not become a prime target of Proposition 2½ budget cutting. After all, it was serving about 160,000 children.

In examining school budget-making, we are once again confronted with many dimensions of local diversity. Among the most important:

--The expected change in total school appropriation. A 10 percent cut requires a very different budgeting strategy than level funding, or a 5 percent increase. Uncertainties about the final total often induced preparation of multiple budgets; Cambridge is reported to have produced four.

--Expected changes in enrollment. In many communities, continuations of long-term declines in enrollment could be expected to cushion the effects of Proposition 2½. In fact, between the 1980-81 and 1981-82 school years, 33 percent of school districts experienced enrollment declines greater than 6 percent, 38 percent declines between 3 and 6 percent, and 17 percent declines less than 3 percent; only 12 percent registered increases.[2] Declining enrollment is the factor that most complicates the interpretation of Proposition 2½'s impact on education. We shall return to it later.

--Per pupil expenditure. In Massachusetts there has been very wide variation in per pupil educational expenditures; it is said that the disparity between communities at the 5th and 95th percentiles is the largest in the country. The highest quintile in 1979-80 spent on average $2700 per weighted pupil, almost double the expenditure in the lowest quintile.[3] (The weighting takes account of additional services needed by bilingual, special education, and low income pupils).

--Relationships between school committees, school administration, and school staff. In some the superintendent

was new and in a weak position; Worcester, for instance, had an interim superintendent. In others the superintendent was well established, with strong school committee and community support. In still others, Proposition 2½ intensified latent power struggles between superintendent and committee. And a similar spectrum is to be found in relationships with employee unions. As a matter of policy union members would not participate in drawing up budgets. But they of course sought to influence the results, through pre-existing contract provisions, public and private lobbying, legally mandated "impact bargaining" concerning layoff decisions, and possible court actions or job actions. Union contracts imposed powerful constraints on budgeting decisions, though in some cases the unions agreed to renegotiate their contracts, or waive certain provisions. [4]

--Educational priorities. There was much talk in this year of Proposition 2½ of "fat", "muscle", and "bone". Everyone was for cutting the fat. But of course, one person's fat was another's muscle or bone. Not much blatant waste was to be found; more frequently it was the hard choice between expenditures all of which could be well argued. And here differences of educational philosophy became prominent within communities, and between communities.

2. Two examples. The interplay of many of these factors is illuminated by a recent monograph comparing school budget preparation under Proposition 2½ in Newton and Brookline.[5]

At first glance these communities are too similar for fruitful comparison. They are contiguous residential suburbs just west of Boston, each often identified as politically liberal, each voting against Proposition 2½ (Newton by a much smaller margin). And they were each well-known for "lighthouse" school systems, with strong and long-established superintendents. But in the preparation of their school budgets for the first year of Proposition 2½ they are found to have been strikingly different.

--Newton has a school tradition of administrative decentralization; principals have a great deal of power over budgets for their schools, within the amount allocated to them. Also, by 1981 the Newton system had been living for a decade with declining enrollment; its numbers had fallen from 18,097 in 1973-74 to 12,426 in 1980-81 (and they would fall another 6.4 percent the following year). The Superintendent had received a lengthy education in retrenchment. A number of schools had been closed; and in 1977 a hostile school committee had demanded that he prepare a level-funded budget (which it then increased). In the course of this exercise, the Superintendent had initiated the practise of going off on retreat with his principals

and central staff to establish a consensus on budget priorities, especially important in a decentralized system.

When Proposition 2½ passed in November, 1980 the Superintendent had an excellent relationship with the current School Committee Chairman. They agreed on the basic strategy of preparing just one almost level-funded budget (although it was consistently presented as a $3 million cut, from an inflation-adjusted projection).

In the course of a retreat with administrative staff in November and meetings with the School Committee in December, budget guidelines were roughed out. The goal would be a "balanced program", maintaining, "to the extent possible, reasonable class sizes", by looking first at all areas other than regular classroom instruction. The Superintendent was given a great deal of flexibility in working out the details of staff and other cuts that would be required.

In December, the School Committee voted to close one elementary school, rejecting staff recommendations to close a second. Proposition 2½ probably hastened the closing: but it would have come anyway.

On February 2 the Superintendent presented his budget. A total of 176 staff positions were cut, but so distributed that no programs were eliminated, and elementary school class sizes rose 2 percent, secondary 8 percent. A great variety of small but nevertheless painful cuts were made. The budget was termed "masterful" by the PTA; the School

Committee made few changes in it. But fears were expressed that it was a high-wire balancing act not to be repeated without damage to the quality of education in Newton.

--Brookline's situation was very different. Administratively, the Superintendent had instituted a dual system, by which the principals were essentially building managers, and curricular matters were controlled by central staff. A 1975 consultant report commissioned by the School Committee had recommended changes in this system to increase the power of principals; but it remained unimplemented, a bone of contention between a strong Superintendent and an assertive School Committee faction.

Brookline had not felt the pinch of declining enrollment; the total in 1980-81 had declined less then one percent from that of 1973-74. But Brookline appeared to be hit much harder than Newton by Proposition 2½. Newton fought to avoid all property tax loss by revaluation (II.2 above); but Brookline leaders seem to have expected that even after revaluation Brookline must expect to lose 15 percent of its property tax revenues, or $6.9 million in the first year, in addition to excise tax losses.[6] Thus a school system with no recent experience of retrenchment and no cushion of declining enrollment was suddenly faced with the prospect of a massive reduction, first estimated at $3.6 million (20 percent) from the current budget total, finally established at $2.24 million (12 percent).

The Newton budget strategy had been to emphasize

continuity, combining fiscal austerity under Proposition 2½ with reassurance to nervous parents who might otherwise turn to private schools. The Brookline Superintendent chose a different strategy. He continued as a leader in the fight against Proposition 2½, now after the election seeking home rule exemption for Brookline as its escape hatch from educational disaster. Unfortunately, this battle was ultimately lost in the legislature, and had the side effect of increasing the panic of staff and parents.

Meanwhile, the Superintendent initiated a much-modified budget process, in which he solicited parent and staff input even before consulting with his administrators. Ultimately, the budget that he presented, 15 percent less than the current one, gave priority to regular classroom instruction over support services, to people over things, to secondary over elementary schools, and to small class size. The dual administrative structure was retained, with curriculum coordinators given half-time teaching assignments. To preserve the core classroom and administrative structure, he proposed to eliminate a number of elementary programs, including music, art, industrial arts, and double session kindergarten; and a number of high school foreign languages.

The proposed elimination of programs aroused strong opposition and gave an opening to School Committee opponents of the Superintendent. They proposed an alternative budget which reduced administrative costs and saved some programs by eliminating central curriculum coordination, assigning

this task to the principals as recommended in the old consultant report. The Superintendent was too busy in statewide efforts against Proposition 2½ to fight back effectively; the alternative budget was adopted 6-3, over his strong opposition.

Within a year he had resigned. A few months later the Newton Superintendent too had stepped down. Proposition 2½ had perhaps taken its toll.

3. Budget trade-offs. There are limited case materials on school budget preparation in some other cities and towns, embedded in municipal case studies. But it may be more useful at this point to survey some of the major trade-offs that were commonly involved in the determination of school budget priorities.

--People vs. things. This was not really a choice at all. In a year of biological metaphors, layoffs were vividly described as "blood on the floor". Nothing was more painful to school committees than to terminate employees well known to them. One hears that the Lowell School Committee would consider budget line items until it reached the administrative position of a beloved former wrestling coach, slated for elimination, and then adjourn rather than vote. The universal slogan was "people over things". Equipment, materials, and supplies items were cut before salary accounts. Unfortunately, little could be done to avoid fuel costs, for instance; and payroll items typically constituted 85 percent of the school budget--

they could not be spared the axe. Furthermore, while things don't bleed, they do wear out and break down: one cannot put people over things every year.

--Jobs vs. wages. This also was not a real choice, at least in the first year. Unions uniformly rejected suggestions that jobs be saved by opening contracts and renegotiating salaries and benefits downward. Positions could easily be restored, should funding become available: but wages and benefits once reduced might take years to win back. However, in new contracts this trade-off is a continuing issue.[7]

--Class-size vs. programs. Sometimes a very high value was placed on maintaining what were considered reasonable class sizes, if necessary at the expense of a variety of non-mandated programs: guidance, music, art, athletics, and others. Elsewhere, a great effort was made to maintain a balanced program, if necessary at the expense of class size. In one very political city, balance meant allocation of layoffs equally among different categories of employees: clerical, teaching, and so on.

--Fees vs. fairness. Even in program areas where institution of new fees was a legal option, such as lunch charges, and (disputedly) extra-mural athletics, school committees were not eager to make ability to pay the condition of participation.

--Seniority vs. school need. The standard contractual insistence on strict seniority as the sole basis for reductions

in force ("RIF-ing") clashed head-on with a variety of educational concerns of the community, and of the teachers themselves. There was the loss of competent and creative--and also cheaper--younger teachers. There was the frequent resulting mismatch of positions and teacher competencies. In Boston and elsewhere, senior teachers and administrators could "bump" their juniors without regard to competence; some feared the prestigious Boston Latin School would lose many of its most able faculty.[8] And not least, there was the loss of "last hired, first fired" minorities, that might negate years of struggle for a more representative faculty.

A number of strategies were employed to weaken the seniority principle or its effects. Normal attrition helped. Attractive early retirement plans paid for themselves in salary savings. A federal court ruling superimposed affirmative action guidelines on Boston's layoff procedures. A new Burlington teachers contract tempered seniority with allowances for certification by area.[9] Most radically, in Cambridge the following year a new contract replaced strict seniority by a system "channeling" seniority into 27 lanes by program area, discipline, and grade level. The retention of minority teachers essential to the success of a voluntary desegregation plan was a major contractual goal both of the Cambridge School Committee and a majority of the teachers union.[10]

--Putback vs. cutback. This last trade-off has to do with process rather than product: Was it better to start with a "worst case" budget, putting back budget items as the revenue picture improved; or to begin with a better or best case budget, cutting back only as forced to by political and fiscal constraints?

The case for a putback strategy was strong. Firstly, it corresponded to the revenue trajectory, which began at Proposition 2½ rock bottom, and gradually rose as new sources were found. Secondly, worst case budgeting forced a perhaps long-overdue examination of educational values and priorities. It demanded the very "zero-based " budgeting that administrators had been talking about for years but rarely implementing. Thirdly, it might bring home to the citizenry that had voted in Proposition 2½ just what its consequences for services could be, shocking them into support of repeal or amelioration. Fourthly, it would ensure a future of good news: The half-refilled cup would seem half full rather than half empty. And finally, in personnel matters, April budgetary pessemism was legally required: Staff had to be notified of impending layoffs.

However, there were also strong arguments on the other side. For one thing, worst case budgeting gave ammunition to enemies. It was not a long step from thinking the unthinkable to enacting it; better not to start the journey. Furthermore, to publicize plans for drastic cutbacks that would most likely prove unnecessary was to be very

vulnerable to charges of "saber rattling" (V.2 below). And it would needlessly frighten already apprehensive parents, students, and teachers. Confidence in public officials was already at nadir in this year of Proposition 2½: it was essential to rebuild it by credible leadership. //

On this one School Committees were truly between a rock and a hard place. Many compromised, rejecting demands to prepare a worst case budget, and preparing what they deemed to be a both educationally defensible and ultimately realistic budget, no doubt with cutback and putback options. It was not an easy time to be a School Committee member or Superintendent.

V. Determining State Aid.

1. The state aid programs. During local budgeting, one important part of the revenue picture remained very uncertain. The level of state aid to municipalities was the central question of the parallel state budget process; but the state did not settle it until July, after local budgets had been completed, and Proposition 2½ had taken effect in the new fiscal year.

There were essentially three types of state aid relevant to school budgeting:

--Education Reimbursements were repayments under a variety of statutes for local expenditures of the previous year, particularly involving pupil transportation, school lunches, school construction, and racial imbalance. No immediate help was to be looked for in this direction; and anyway, statewide they offset no more than five percent of school expenditures.

--Educational Distributions were moneys allocated to the cities and towns under the distribution formula of the 1978 Boverini-Collins law (better known as Chapter 70). These indeed were substantial; they amounted in 1980-81 to $725 million, or about 30 percent of statewide educational expenditures.[1]

Chapter 70 funds were intended to equalize the educational burden among communities; the complex distribution formula favored property-poor school districts with large numbers of students in mandated high cost special programs. However,

for political reasons a "save harmless" provision was inserted in the new law that (as amended) guaranteed each district no less than 107 percent of the aid it received in 1978-79. It was expected that this floor would become insignificant as the state assumed a higher percentage of local educational costs. But increases in Chapter 70 funding did not stay ahead of inflationary and other increases in local per-pupil costs; so in 1981 most of Chapter 70 money was still being distributed by the save-harmless provision, and only a few poorer cities were receiving significantly greater funds calculated under the formula.[2]

--General Government Distributions include a number of categories of relatively unrestricted local aid, totalling $250 million in 1980-81. Most important were two distributions channeled through the Local Aid Fund: a portion of the state lottery proceeds, and Additional Assistance originally intended (1978) "solely for the reduction of property taxes".[3] The Local Aid Fund distribution formula (better known as the "lottery formula") allocated aid directly in proportion to population, and inversely in proportion to per capita property wealth (measured by the state's equalized valuation).

On the other side of the ledger it must not be forgotten that local aid was offset by a variety of assessments from other units of government: regional transportation, water, sewerage, and park authorities; counties; and some state charges. In 1980-81 the City of Lynn, for instance, received $3.9 million from the Local Aid Fund but was assessed almost $3 million.[4] Proposition 2½ capped assessments, but allowed

4 percent annual growth, larger than the permitted growth in the local property tax levy.

An important annual event for each local government was receipt of the "cherry sheet" (so-called for its color), detailing assessments and state aid for the coming fiscal year. This was sent out upon completion of the state budget process, usually in June.

2. The state debate.[5] The passage of Proposition 2½ left state lawmakers no less than local officials in a state of shock. What they had failed to do, the voters had now done for them. Legally, of course, they had the power to amend the new law, or even overturn it; it was a law, not a constitutional amendment. But politically this was out of the question. Dozens of amendments were in fact introduced and debated over the next few months; but none were adopted before the law took full effect on July 1. Not until January, 1982 was a package of amendments adopted "fine-tuning" the law by making local override somewhat easier, exempting new construction and renovation from the restriction on property tax growth, and introducing some other small changes.

Thus it rather quickly became clear that the central question would be not how to change the law but how to live with it. What was the mandate of Proposition 2½ for state government? Three dominant interpretations emerged.

By one interpretation the law was aimed at local, not state government. The mandate was to "cut local fat" by reducing local revenue and expenditures; and the state

should not bail out the cities and towns with additional local aid.

A second view was that the real target was the tax structure. The hidden mandate of Proposition 2½ was tax reform, not tax cutting; and the state should replace lost property and excise tax revenues with increases in other taxes, distributed to the municipalities to maintain service levels.

Still a third position was that Proposition 2½ called for belt-tightening at all levels of government. State government should "share the pain" by budget reduction that would allow increases in state aid offsetting at least half of local revenue losses, without any new state taxes.

The opening salvo was fired by proponents of the "share the pain" view, which not surprisingly included many local officials. The Arlington Town Manager drafted a proposal, supported by the Massachusetts Municipal Association and the Massachusetts Taxpayers Foundation, that would freeze state spending at current levels, and turn back the resulting surplus (estimated at $350 million) to the cities and towns.

The "cut local fat" position soon found its champion in the Governor. His proposed $6.39 billion state budget, presented to a silent legislature on January 28, was higher by $390 million than the approved budget for the current year, a 6.5 percent increase. But it provided for only $37.6 million in new direct local aid. Boston alone was expected to lose more than twice that amount.

The Governor himself characterized the proposed budget as "frugal". In "constant" dollars, with double digit inflation factored in, it actually represented a decrease of $145 million from the current budget, he stressed. And it required no new taxes.

Observers agreed that in comparison with previous state budgets it might be considered austere. But it appeared simply to ignore the crisis created by Proposition 2½.

The Governor's current view of that crisis was clarified three days later, in a UPI interview. He characterized as "saber rattling" local warnings of police and fire layoffs (the phrase became identified with him). He suspected that local officials, particularly in Boston, were using scare tactics to mobilize public opposition to Proposition 2½. "The executive and the legislature... will be very prompt and responsible in acting on any genuine crisis", he was quoted as saying.[6] Clearly he was not yet convinced a genuine crisis existed.

The House Ways and Means Committee began a very slow deliberation on the Governor's budget. Meanwhile the spotlight shifted to the Joint Committee on Taxation, which was the focus of efforts to change Proposition 2½, and to use it as a stimulus for tax reform. Lobbyists in this effort were for the most part participants in the pre-election coalition against Proposition 2½: the American Federation of State, County, and Municipal Employees (AFSCME), the Massachusetts Teachers Association, Fair Share, the League of Women Voters, and other groups. They recognized the

need for decreased reliance on the property tax, but did not want to sacrifice state or local services or jobs. Many of them would have preferred a progressive income tax to generate new revenues; but this was politically dead in Massachusetts after decisive earlier defeats. Increases in the relatively "underutilized" sales tax, although regressive, were considered politically more marketable. In late May this coalition formed the Massachusetts Tax Reform Association.[7]

The House Co-Chairman of the Taxation Committee supported tax restructuring, with its concomitant selective tax increases. His hope was, apparently, that the pressure for additional state aid, coupled with the desire to retain state services, would in the end produce a state fiscal crisis in which tax reform and tax increases, and perhaps relaxations of Proposition 2½, would become politically tolerable.[8] Meanwhile, he kept the lid on the pressure cooker by rejecting local exemptions from 2½, and worked on reform packages.

It was clear to most people, however, that in a year of local and federal tax-cutting state taxes would never be raised: significant increases in state aid would require reductions in other state budget items. The House Ways and Means Committee's efforts to produce a state budget were complicated by the resignation of the committee Chairman upon his appointment as State Auditor. Meanwhile concern grew about the impact of the delay in setting local

aid on municipal budget development. A March 9 attempt to discharge the local aid section of the budget from HW&M failed, and a March 10 attempt to direct HW&M to include $300 million in new local aid in the budget was ruled in violation of House rules. Clearly, however, the House was growing restive as members tried to respond to their constituents' pleas for help. Even with the pressure, the HW&M asked for and was given an extension on the deadline for reporting out the budget from April 22 to May 18.

The one definitive step taken during this period was the passage of measures allowing city and town meeting budget decisions to be postponed until June.

The Governor had been rethinking his position (and taking much criticism for his stand that 2½ was not aimed at state government). He submitted a proposal for an additional $170 million in local aid, to be funded through a decrease in human services and a slight increase in some taxes and fees. This had little impact on the legislature, now completely submerged in its own efforts to resolve the dilemma.

By now most legislators had accepted the "share the pain" position. However, when the HW&M budget emerged it contained little additional state aid and many reductions in human services funding. Immediately an unusual coalition of legislators including the minority leadership and a group of Democrats concerned about human services moved to substitute their "Better Budget" containing a $300 million increase in local aid. The "Better Budget" failed 70-86 but the debate

and vote put great pressure on the House leadership. In an almost unprecedented move the budget was sent back to committee for revision. Finally, at 2 a.m. on June 6, with a July 1 new fiscal year not far away the House budget passed. It was the Senate's turn in the spotlight.

The Senate Ways and Means Committee was ready with its own sweeping revision. This responded to 2½ head-on by cutting state bureaucracy and providing significantly increased local aid ($303 million, up $70 million from the final House version). The budget reduced authorized but unfilled state positions by 11,931, cut 3833 currently filled positions, eliminated 32 state agencies and severely reduced 26 others. It also sharply reduced suport for higher education. This SW&M budget was widely hailed as a statesmanlike effort to address the problem of living with reduced income for government at all levels. It raised many hard questions including the impacts of possible federal reimbursement reductions. After a marathon, tightly controlled twenty-hour session, the budget passed the Senate. The House failed to concur, and matters rested with a conference committee. The first stated issue was the accuracy of various revenue estimates, but the drama centered on the relative competence of committee chairmen and staffs. Meetings were acrimonious, and some ended with the walk-out of House members.

The clock and calendar advanced and local budgets were set using clearly uncertain early local aid estimates. As the new fiscal year dawned without a state budget, the

Senate refused to join the House in providing an interim 1/12 budget, which would have permitted spending to continue in all departments at the previous year's level. Finally the conference report emerged, and on July 15 it passed both branches. The Governor signed it on July 21, and "cherry sheets" went out to cities and towns on July 31. The first year state debate was over.

3. Distribution of state aid. The budget finally signed by the Governor totalled $6.3 billion, not far from the budget figure he had submitted to the legislature in January. But legislative efforts had increased the amount of new local aid from $37.6 to $265 million. According to the Department of Revenue revised estimate as the new fiscal year opened on July 1, Proposition 2½ would cause first year losses totalling $486 million. Thus the goal of replacing more than half of lost local revenues had been achieved, statewide at least.

But had it been achieved in individual localities? The House and Senate budgets had proposed different distribution formulas. The Conference Committee adopted neither of them, compromising instead on the lottery formula. This formula in general benefits property-poor communities, presumably the ones hit hardest by Proposition 2½. And no doubt the Speaker of the House and the Chairman of Senate Ways and Means checked the effects on their own hometowns--they both received more than 40 percent of their losses.[9] But it appears that in the rush to conclude the budget process, no one examined the detailed relationship

of the lottery formula to Proposition 2½ losses. Said one legislator afterwards, "This was like throwing a deck of cards in the air and seeing how they landed".[10]

It came as a most unwelcome surprise to many legislators and local officials to discover after passage of the budget that its distribution would not help their communities very much, especially after subtracting new assessments from counties and regional authorities. While some towns were to receive more than 100 percent of their revenue losses (suburban Wayland 117%, college town Amherst 340%), and some older cities did well (Chelsea 98%), other communities would get less than 25 percent (urban Cambridge 13%, suburban Arlington 24%). Statewide, 156 localities received more than their Proposition 2½ losses, while 53 others received less than 25 percent.[11] In percentage terms it appeared that the lottery formula generally benefited the poorest cities and wealthiest towns, while hurting large towns and middle-size cities.[12] Much anger and frustration was expressed, and there were many calls for legislative correction; but the die was cast for the first year.

The remaining task was local appropriation of the additional aid. How did the schools fare in this process? The Massachusetts Association of School Committees surveyed local school districts on this question.[13] Of 211 districts responding, 120 reported that they had requested a share of the new aid; 107 reported a response to the request. Of these about half received their total request: Quincy and Billerica school committees asked for half the state aid,

but received 8 percent: one fourth of the reported requests were totally rejected. About ten districts said they got more than they asked for.

It is unclear from the data whether the additional school funding was in the form of supplemental appropriations, or was anticipated in the original school budget appropriation. In the case of Arlington, for instance, the new state aid was accurately forecast, and allocated in the June budget; and one suspects that this happened in most of the school districts that reported receiving 100 percent of their requests.

VI. Outcomes

1. Introduction. When Massachusetts school children returned to school in September, 1981, the governmental crisis chronicled in preceding sections was over. State and local governments had decided how they would live with Proposition 2½ during its first year. The schools could get on with the business of educating children, and preparing for yet another budget cycle.

But all was not "back to normal". Proposition 2½ had already left its mark on the schools. What was the first year impact of Proposition 2½ on school spending and decision-making: and most important, on education? In this concluding section we summarize available evidence on changes in spending and shifts of power, before venturing some final remarks on the educational impact and import of Proposition 2½.

2. Changes in spending. How finally did Proposition 2½ affect school appropriations and expenditures in the first year? The results here summarized are drawn from statistical studies based on statewide data, or large representative samples.

It must be underscored that in this summary budget reductions are in effect substantially understated: They are calculated from previous year figures, with no adjustment for the double digit inflation rate.

--By final account the total first year local revenue loss resulting from Proposition 2½ was $456 million. Property tax revenues fell $311 million, from $3.347 billion to $3.036 billion, or 9.3 percent. There were also losses of $145 million in excise taxes.[1]

--Local spending fell by only $108 million, or 1.9 percent below the 1980-81 level of $5.676 billion. The difference of $348 million is accounted for by $265 million in new state aid, increases in local user fees, and use of local surpluses.[2]

--School committee expenditures, however, dropped by $136 million or 5.5 percent from the $2.408 billion level of 1980-81. Thus non-school expenditures (which include non-discretionary fixed costs and assessments) actually rose slightly (0.9 percent).[3]

--70 percent of school districts spent less in 1981-82 than in the previous year; in 1980-81 less than 10 percent had done so. Of 65 regional school districts responding

to a survey (there are 79 altogether), 76 percent reported decreasing their assessments on member cities and towns.[4] For all school districts the distribution of expenditure changes is summarized in Table I.[5] The largest reduction--more than 25 percent--occurred in the city of Leominster (population 34,500). At the other extreme, Otis (population 965) increased its school appropriation by 15 percent.[6]

--The larger cities and towns in general sustained the largest school budget cutbacks, as shown by Table II,[7] based on a sample of 132 cities and towns. The average sample community sustained a 5.9 percent school budget cut; but in cities and towns with populations above 25,000 the reductions averaged more than 9 percent. It is true that these municipalities had also experienced greater declining enrollments; but the data shows that in 1980 their expenditures per weighted pupil were no greater on average than those of the smaller communities.

--School budgets were in aggregate deeply cut relative to other departmental budgets. A survey of 33 severely affected and 42 moderately affected communities compared aggregate departmental budget changes in each group.[8] It was found that in the severe impact group, the schools, with 65.1 percent of the aggregate 1980-81 budget, absorbed 70 percent of the total cut. In the moderate impact group the disparity was even greater; representing 71.3 percent of the 1980-81 budget, they suffered 85 percent of the total cut.

TABLE I

School Committee Expenditures
1980 - 1981 to 1981 - 1982

Percent Change In Expenditures	Actual Change (Million $)	School Districts #	School Districts %	1981-82 Enrollment #	1981-82 Enrollment %
-10 or greater	-65.0	53	13.7	170,459	18.0
-5 to -10	-72.4	104	26.9	420,144	44.3
0 to -5	-13.2	119	30.7	191,876	20.2
0 to +5	5.6	77	19.9	124,447	13.1
+5 to +10	3.8	25	6.5	21,323	2.2
+10 or greater	8.1	9	2.3	20,649	2.2
Total:	- 133.1	387	100.0	948,898	100.0

Source: Commonwealth of Massachusetts Department of Education "Report on the Effect of Proposition 2½ on Massachusetts School Districts, 1981-1982"

TABLE II

Impacts on Preliminary School Budgets*

Population Group	Sample size	District pupils 1980 (a)	% change in school committee budget FY81-FY82	**	5-year % change per pupil expend.(b) 1975-80	Expend/ weighted pupil (c) 1980	5-year percent change students 1975-80(d)	10-year percent change population 1970-80(e)
5000 or less	38	308	-3.7	-0.8	61.4	2154	-3.7	33.5
5001-10000	30	1269	-4.7	-1.5	54.2	1731	-8.1	15.9
10,001-25,000	42	2959	-6.8	-3.0	56.0	1900	-9.3	11.0
25,001-50,000	16	6135	-9.6	-5.9	61.3	1971	-15.7	-1.4
50,001 or more	6	11325	-9.2	-6.0	69.3	1791	-15.2	-5.5
Average sample community		2577	-5.9	-2.5	58.4	1938	-8.5	16.3

Notes: The table is based on the 132 cities and towns for which we have data from the June 1981 survey of school committees by the Massachusetts Dept. of Ed.

(a) Net average membership of students in the local school district excluding students attending regional schools.

(b) The expenditure concept used for this calculation is average integrated cost. This includes expenditures made on behalf of all students in the city or town, including those attending regional schools. Source: Mass. Dept. of Education.

(c) [The weighting is that of Chapter 70 See V.1] Expenditures exclude those made for students attending regional schools.

(d) Students are defined as net average membership and include local pupils attending regional schools. Source: Mass. Department of Education.

(e) Based on 1970 and 1980 Census of Population.

* Reprinted with permission from Bradbury, K.L. and Ladd, H.F., "The Initial Impacts on State and Local Finances", in P2½, p. 317.

** Municipal revenue loss after new state aid as % of nonfixed expenditures

TABLE III

Aggregate Budget Reductions
(000's omitted)

Department	FY 81 Budget	FY 82 Budget	% Change
	Severe Impact Communities		
Police	64,445	62,223	-3.5
Fire	64,584	61,519	-4.8
Schools	436,622	393,369	-9.9
Public Works	83,144	74,189	-10.8
Libraries	13,297	11,360	-14.6
Recreation	8,895	6,602	-25.8
	Moderate Impact Communities		
Police	19,361	19,527	+0.9
Fire	10,566	10,950	+3.6
Schools	159,452	151,881	-4.8
Public Works	27,014	26,260	-1.5
Libraries	3,663	3,609	-1.5
Recreation	3,915	3,479	-11.1

Note: The budget figures on this table are the totals of all MMA-survey communities. Thus, the $64.445 million figure at the top of the FY 81 Budget column is the total police appropriation for all 33 Severe Impact communities in the MMA survey.

Source: Reprinted from the Massachusetts Municipal Association "Report on the Impact of Proposition 2½", January, 1982

TABLE IV

Percent Change in Local Appropriations FY81 - 82

Community	Schools	Police	Fire	Streets	Parks	Garbage	Library	Debt	Total
Amesbury	-7.7	10.5	9.0	n.a.	n.a.	10.6	-8.2	-2.8	3.5
Arlington	-5.2	n.a.	3.6	n.a.	n.a.	n.a.	n.a.	n.a.	-6.3
Burlington	-8.5	0.0	9.4	n.a.	-8.0	10.1	-3.6	-1.3	-2.0
Chelsea	-4.8	4.0	7.4	-15.9	-1.0	21.9	-19.5	-1.9	-1.5
Framingham	-9.7	1.7	-1.8	14.8	-6.7	-6.2	-15.0	-13.0	-9.5
Marshfield	-9.0	-10.4	0.7	n.a.	-49.9	12.3	-6.6	39.0	-8.0
Quincy	-19.6	-8.2	-6.8	-67.7	-23.7	-17.0	-23.1	-1.5	-11.5
Salem	-15.7	-1.6	-8.2	-37.1	-34.6	1.7	-16.0	-4.6	-9.1
Springfield	-10.1	2.2	-5.5	-12.5	-12.0	50.8	-6.8	5.9	1.6
Wayland	-5.0	-2.9	-1.9	-22.9	-2.1	-100.0	-0.6	-4.0	-6.1

Source: Reprinted with permission from Proposition 2½: Its Impact on Massachusetts
A Report from the Impact: 2½ Project at M.I.T.
Chapter 22: "Understanding How and Why the Most Drastic Cuts Were Avoided"
by Lawrence Susskind and Cynthia Horan

Note: For some municipalities, supplemental appropriations of new state aid are not included

The results are broken down by department in Table III. Public safety was almost universally given highest local priority, recreation lowest. Public works budgets, with large non-personnel expenditures, were heavily cut in severe impact communities by the "people over things" principle.

--There was, however, enormous local variation in the profile of budget cuts.[9] This is well shown by the examples in Table IV.

--Within school budgets, elimination of teaching and other positions was the primary method of cutting costs; but there were many others. We here summarize Massachusetts Department of Education data.[10]

11.8 percent or 7,782 full time equivalency teaching positions were eliminated, and 9,355 other jobs were cut. Overall there was a 14.3 percent reduction in total school committee employees. Especially hard hit were reading teachers (22.2%), guidance counselors (17.6%), librarians (23.2%) audio-visual specialists (23.8%), and teacher aides, foreign language, art, drama, and music teachers. However, while there was a 5 percent drop in teaching expenditures, the reduction in general administrative costs was only 0.2%.

School committees also radically cut evening and adult education; enrollment declined 48 percent. Food program support was cut by 54.4 percent; pupil participation in the lunch program dropped 25 percent. Extracurricular activity expenditures were cut more than 20 percent, and fees raised 23 percent. New equipment purchases dropped

36 percent, and textbook expenditures 30 percent. 278 schools were closed, while 16 new ones were opened. On the other hand transportation costs rose slightly, even though fewer students were transported: and insurance and employee benefit costs rose considerably (perhaps because of higher unemployment taxes and early retirement incentives).

Some of these cuts may be attributed to declining enrollment. Just how much will be discussed in VI.4 below.

2. Shifts of power. The end of school committee fiscal autonomy and the constraints of the property tax cap profoundly altered school budget processes. Four generalizations emerge concerning the roles of old and new participants (with many exceptions and qualifications).

--Budget-making at all levels became less political and more hierarchical and technocratic. This was a fundamental and no doubt unanticipated consequence of the tax cap. It was to a large extent masked during the first year's budgeting by general confusion about the interpretation of the new law and particular uncertainties about new state aid; and also by many local factors. But it is discernible nevertheless,[11] and in subsequent budget cycles has become increasingly evident.

Proposition 2½ did not directly limit local expenditures; communities could seek replacements for lost tax revenues. But as we have seen (Section II above), the options were very limited. The cities and towns were not (and are not) empowered to impose alternative taxes; and the user fee saturation point was quickly reached. Given good estimates of the tax base and state aid a cap on expenditures was calculable.

But capped expenditures dictate top-down budgeting. When budget totals and the local tax rate were politically negotiable, in the days before Proposition 2½, much of the budgetary initiative could come from below, from department and program heads and their community and legislative

supporters. One could lobby for particular budget increases or restorations without worrying about the rest of the budget. It was possible for all such lobbyists to win, if revenues were increased sufficiently.

Now the budget process became a constant-sum game. An addition to one program budget meant a subtraction somewhere else. The way to avoid cutthroat competition for slices of the fixed pie was obviously for someone or some group to divide it up, preferably on the basis of some simple formula. And the same process could be repeated in subdividing the larger pieces. The standard response to those demanding a larger slice at any level was to ask whose slice should be cut, thereby ensuring at least one enemy of the re-allocation. Teachers unions for instance were thus set at odds with other municipal unions.

Who should divide up the municipal pie? In cities the winners were the chief executives: mayors or city managers. There was legal ambiguity in the first year about the powers of mayors, which affected the behavior of some (see III above); but this was resolved by the Supreme Judicial Court in their favor in May, 1982. It found that "the mayor has the authority to reduce the budget submitted to him by the school committee before submitting the annual total city budget (including the proposed appropriation for school purposes) to the city council." [12]

In towns executive functions are more dispersed--among

Boards of Selectmen, Town Accountants, Finance Committees, Town Managers or Administrators, and other officials--and solutions to the budget allocation problem are correspondingly more varied. A locally powerful official or board might assume the role; or an ad hoc committee might be appointed. It will be interesting to see how the budget allocation function becomes locally institutionalized in subsequent budget cycles, and whether any standard solutions emerge.

Most weakened in the budgetary process were school committees, by loss of fiscal autonomy, and police and fire unions, by the loss of binding arbitration. But there is evidence that department heads and their community and legislative lobbyists also lost power, at least over department budget totals. A report on 13 municipal case studies found that department heads had little input into budget allocation decisions, and little recourse later.[13] Appeals to town meetings for restoration of funding were usually rejected. According to the report, "in some towns, local officials required that anyone proposing an expenditure increase at town meeting had to propose an equivalent decrease elsewhere in the budget".[14] City councils were under similar pressure when they requested appropriation increases. (They could only ask, because usually they had legal power only to cut the executive budget: certainly there was rarely anything further to cut).

The Proposition 2½ expenditure cap now has a limited safety valve: a local vote to override. This was not

a practical option during the first budget cycle under Proposition 2½; but the law has since been amended to make certain overrides easier (e.g., to increase bonded indebtedness).[15] A number of communities have already availed themselves of override provisions (e.g., Cambridge), and one suspects that as the budget squeezes continue, pressures will build up for more frequent use of them.

--Participation of citizens in local budget processes declined, particularly after the first crisis year of Proposition 2½. This is an empirical conclusion of the survey of 13 case studies as already noted.[16] And it is to be expected as a concomitant of top-down budgeting. In a citizen assessment of Proposition 2½ it is however deserving of more detailed attention. Illumination will here be sought through the case history of an unusual venture in citizen participation: a broad-based citizen coalition formed in Newton to monitor local budgeting under Proposition 2½.[17]

SCAN 2½ (Service-Cut Analysis Network) was organized in December, 1980 at a time when it was thought that Newton was faced with large revenue losses (II.2 above). "To minimize destructive competition for a shrinking pie" it sought participation from every hue of the local political spectrum. In particular, it was carefully neutral concerning Proposition 2½ (although the organizers had opposed it). According to the statement of purpose

> It provides an opportunity for all residents to participate with our elected officials in the development of Newton budgets. It examines carefully the rationality and fairness of proposed spending and

> service cuts, with the primary goal of assuring the continuation of a high level of services reflecting informed consensus on educational and municipal priorities.

SCAN was launched with official blessing at a January public meeting addressed by the Mayor and School Superintendent. The League of Women Voters and the Newton Council of PTA's, leading opponents of Proposition 2½, agreed to merge their normal budget-monitoring activities with those of SCAN; as did the Newton Taxpayers Association, which had led the local campaign for the law.

An elaborate organizational structure quickly evolved. Four working groups corresponded to major budget categories: Education, Public Safety, Public Facilities and Public Works, and City Administration and Fiscal Policy. Others were concerned with neighborhood issues, long-range planning, and the legal and legislative front. There was also a special appointed Budget Integration group, charged with investigating "principles and procedure for integrating development and approval of School and City budgets in the absence of fiscal autonomy". Two former School Committee Chairmen and two former Presidents of the Board of Aldermen were among those who agreed to serve. It was thought that a group of "elder statesmen" might be helpful should bitter conflict arise between School Committee and City Hall.

A Steering Committee composed of two elected representatives from each working group (four from Education because of its size) had the task of reviewing, integrating, and approving their budget recommendations (by two thirds vote).

In structure and function SCAN was thus a shadow government, imitating but integrating the budget roles of School Committee and Board of Aldermen. In February, while the School Committee was reviewing the Superintendent's budget, SCAN's 25 member Education group (itself divided into subgroups) was doing the same. Its four recommendations were transmitted to the Steering Committee on March 1, approved, and presented to the School Committee before its final vote. In March and April, the Mayor's revenue and budget recommendations to the Board of Aldermen were similarly monitored; and SCAN recommendations were duly presented to Board committees, and to the Board as a whole before its final vote.

The working groups received excellent cooperation from city and school administrators. Many of their members were able and diligent, and the level of cooperative effort to reach consensus before deadlines was extremely impressive. And yet in the end SCAN confirms rather than negates the judgement that citizen participation declines under Proposition 2½.

Responsible budget lobbying under Proposition 2½ requires something like a shadow government. To question a budget, a responsible citizen group must acquire an understanding of it approaching that of its maker, and then reach a consensus on an alternative. This would be hard enough if the group were given as much time and staff resources as the budget-maker had; it is impossible in the brief period between public presentation of a budget and its final disposition.

SCAN tried hard; its members learned more than they

wanted to know about abatement overlays, free cash, and the details of department budgets; but in the end SCAN could reach consensus only on relatively minor adjustments, many of them already supported by the School Committee or Board of Aldermen. And by that time there was usually insufficient time to lobby for them effectively. It was not enough payoff for all that work.

To be sure there were other reasons for the lack of dramatic results. Newton's revenue crisis was mostly avoided by revaluation; adroit budgeting by the Mayor and Superintendent left little room for criticism; and SCAN had some organizational weaknesses. At the time, these factors loomed large.[18] In retrospect, SCAN is more fundamentally an illustration of the heroic efforts needed for citizen participation in the era of Proposition 2½. Such efforts are only called forth, if at all, by a crisis. When Newton's first year budget crisis ended, so did SCAN 2½.

--The power over school budgets of school constituencies (primarily parents, adminstrators, teachers, and other school staff) was weakened. In part this is merely a corollary of municipal budget centralization. A survey of 20 mayors in November, 1982 (after mayoral budget power had been judicially confirmed) found 19 agreeing that as a result of the loss of school committee autonomy they had gained greater control of the local budget process: 17 also agreed that they now had more responsibility for preparing the overall city budget, and 15 said that they had gained more power than city councils over the budget process. Furthermore,

12 felt that as a result of the loss of school committee autonomy the committees' responsiveness to the needs and wishes of parents of school children had weakened.[19] One suspects (without confirmation) that similar results would have been found in surveys of town officials.

On the other side of the coin, school committee members in both cities and towns felt weakened and often demoralized, according to a Boston Globe sampling in November, 1981.[20] The center of power over the schools had shifted away from them.

However, their constituencies could still lobby in the new power centers for attention to school needs. But evidently such efforts were not in general very successful. We have found that in the first year of Proposition 2½ school budget totals were frequently hard hit relative to other large municipal budgets. What considerations and constituencies, then, shaped the school budget decisions of mayors, managers, finance committees, and other municipal budget-makers?

Some factors are obvious. The schools universally had the largest departmental budget, and it is much easier to cut a large budget than a smaller one (though this did not deter library slashes). Because of declining enrollment and increasing divorce school parents now constituted a decreasing minority of voters; much larger were the constituencies for a continued high level of police and fire services. And declining enrollment provided a service-need as well as a political argument for deep school cuts. Teachers unions were in such a weak position relative to public safety unions that they generally chose not to lobby actively.[20a]

But in talking to city hall and town hall officials one often found in addition to these easily quantifiable factors others no less important but more difficult to articulate. In particular there were frequently deep accumulated resentments concerning the school committee and school department that deserve separate attention. In part these reflect simple frustration built up while a huge chunk of the municipal budget, crucial to the budget total and tax rate, was not under their control. It is not typical of mayors and managers to share power gracefully: no doubt others agreed with one mayor's view that

> "Proposition 2½ doesn't go far enough--I'm given responsibility; I should have control. I should have line-item, as well as bottom-line control [over school budgets]." 21

But there is something else as well. Those who have had budgetary dealings with both School Departments and City Halls in Massachusetts may confirm that they have constituted distinct fiscal subcultures, sometimes it seems separate worlds. Their budgetary procedures were different, their salary scales were different, their loyalties were different. It was a "we-they" situation: one often heard that "We have our act together over here (in City Hall); they don't"; or that "They have had a blank check too long"; or that "Even their custodians make more money than ours"; and so on.

Nowhere was this more apparent than in personnel layoffs. In at least one city, the names of non-school city employees were routinely listed in the Mayor's budget; and custodians slated for layoff were allowed to come before the City Council

to plead their cases personally. These were "our" employees, members of the City Hall family; but laid-off teachers were just "their" statistics, and it was much less painful to remove them.

The end of fiscal autonomy required the partial merger of these subcultures, and it will be interesting to see how it proceeds. One step toward integration has been taken by school committee members and school supporters who have chosen to run for mayoral and city council positions to be where the school action is.[22] (The latter may be disappointed). Another bridge is already provided by mayors who serve ex officio on school committees. It is no doubt awkward to deliberate with mayors who control the overall outcome of budget debate and therefore have great de facto power over line items also; but there would be more problems if mayoral membership were ended. One city has made the mayor its school committee chairman.

--The indirect power of state government over school budgeting has increased, while the direct role has decreased.

In general the state under Proposition 2½ has an increased role in municipal budgeting. The Department of Revenue controls local tax revenues by certifying revaluations; and the Governor and Legislature determine the crucial variables of total local aid, and the distribution of it. It is ironic that a measure presumably passed to make local government more accountable to its citizens in fact makes it more dependent on a branch of government more remote and by popular perception more corrupt and inefficient.[23]

The role of the State Department of Education in the era of Proposition 2½ is still in process of definition. The law removed from it the power to impose new unfunded mandates on the school districts, stimulating a review of old ones, and a weakening of some (IV.1). And most of state aid, including Chapter 70 "educational distributions" (V.1), goes into the local general fund, from which it can be appropriated for any purpose. The Department of Education was not overjoyed that school districts made especially heavy first year cuts in the numbers of reading teachers and guidance counselors, but could do little about it.

There would seem to be two main options for the Department in defining a new leadership role. One is to mandate particular statewide priorities (like reading programs) that may fall between the cracks locally--and fully fund them, as required by Proposition 2½. The second is to improve Chapter 70 as a vehicle for state support of education.

For instance, the "save harmless" provision (V.1) that vitiates the equalizing features of the distribution formula is now being phased out, at the rate of 10 percent per year.

There is a proposal by the state League of Women Voters to improve the distribution formula.[24]

There is also talk of "earmarking" Chapter 70 funds for educational use, to protect school committees from predatory local governments. It is not clear how this is to be accomplished: or that it is desirable. The Massachusetts

Municipal Association points out that there is a local political remedy for mayoral excess; at least one mayor who heavily cut the school department was subsequently defeated at the polls. Something like the "levelling-up" provision of Chapter 70 should be used to penalize communities that fall too far below the state average per pupil expenditure. But basically, the battle for education should be fought in each locality.

The ability of local officials to respond to local wishes and needs has already been weakened by the revenue constraints of Proposition 2½. Local democratic processes should not be further weakened in the name of support for education .

4. Effects on education. The focus of this paper has been on school budget processes and priorities in the first year of Proposition 2½. But the primary business of the schools is education, not budget-making. And the vote for Proposition 2½ was a vote against simple identification of service levels with budget levels. In this final section we offer some tentative judgements concerning the first year impact of Proposition 2½ on educational services, concluding with a brief discussion of its longer range educational significance.

--Within school budgets, elimination of teacning and other positions was the primary ~~method~~ result of cutting costs: but there were many others. We here summarize Massachusetts Department of Education data.[25]

11.8 percent or 7,782 full time equivalency teaching positions were eliminated, and 9,355 other jobs were cut. Overall there was a 14.3 percent reduction in total school committee employees. Especially hard hit were reading teachers (22.2%), guidance counselors (17.6%), librarians (23.2%),audio-visual specialists (23.8%), and teacher aides, foreign language, art, drama, and music teachers. However, while there was a five percent drop in teaching expenditures, the reduction in general administrative costs was only 0.2%.

School committees also radically cut evening and adult education; enrollment declined 48 percent. Food program support was cut by 54.4 percent; pupil participation in the lunch program dropped 25 percent. Extracurricular activity support was cut more than 20 percent, and fees raised 23 percent. New equipment purchases dropped 36 percent, and

textbook expenditures 30 percent. 278 schools were closed, while 16 new ones were opened. On the other hand transportation costs rose slightly, even though fewer students were transported: and insurance and employee benefits rose considerably (perhaps because of higher unemployment taxes and early retirement incentives).

--The aggregate loss of teaching positions is only partially accounted for by declining enrollment. The Department of Education points out that the pupil-teacher ratio provides a good measure of the relationship between enrollment declines on the pupil side and staff cuts on the teacher side. To quote its findings:

> Between 1980-81 and 1981-82 the median pupil-teacher ratio rose by nearly one unit from 15.3 to 16.2. Of the 379 operating districts, 273 had more pupils per teacher in 1982 than in the year before. Thirty of these districts increased their ratios by more than three units.
>
> These results suggest that in most districts, more teachers were eliminated than would have been warranted by smaller numbers of pupils. Further statistical measures demonstrate that pupil-teacher ratios rose significantly more in municipalities with levy losses than in those with levy gains. However, after controlling for other sources of revenue--including increases in state aid--it appears that declining enrollment and budget cuts assumed about equal importance in determining changes in the number of teaching positions. [emphasis added] 26

It may be objected that increases in the pupil-teacher ratio were merely a response to uncompensated

enrollment declines of previous years. However, this does not appear to be the case. A study of a large representative sample of K-12 school districts found that in the five year period just prior to Proposition 2½, the aggregate pupil-teacher ratio indeed declined from 16.9 to 15.0. However, almost all of the decline is accounted for by dramatic increases in bilingual, occupational, and special education staffing required by new state-mandated or federally funded programs: the number of regular teaching staff declined by 16 percent, keeping pace with enrollment declines.[27]

Thus the conclusion stands: 1981-82 statewide reductions in teaching staff went far beyond what could be justified by declining enrollments.

--Specifically, by state Department of Education estimate, about six percent of all full-time equivalency teaching positions, or 3900 positions, were eliminated solely as a result of Proposition 2½ in its first year.[28] And to these must be added thousands of program specialist and support staff positions. It is not possible that such losses could be sustained without damage to the quality of education. And the damage was surely compounded by the manner of their distribution.

--The allocation of budget reductions among school districts was in large part educationally arbitrary. It is difficult to be precise about this. But it is very clear that the criteria used to determine school appropriations usually had little to do with the educational needs of the schools, by almost any philosophy of education which takes the enterprise seriously.

In the first place, the impact of the law itself on local revenues was determined solely by local property tax rates, and not by any service needs. Those hit hardest were in general the property-poor older and larger communities. Proposition 2½ was an earthquake which took no account of any differences except tax rate.

Distribution of new state aid was expected to be in proportion to Proposition 2½ revenue losses (as in California). But from the point of view of service impact, how fair would this have been? At expected 50 percent reimbursement, a community losing 15 percent of its property tax revenues would still be hurt much more than a more affluent one. And no account would be taken of prior service efficiency and excellence: the inefficient would be helped as much. Anyway, ~~in the event~~ new state aid turned out to have little to do with revenue losses, and even less with service effects. The "lottery formula" was aptly named: chance was king.

In the determination of the school share of the final local pie, once more educationally irrelevant criteria were common. Priority was usually given to politically more potent public safety departments: and sometimes to protection of "our" non-school employees, or to settlement of old scores with the school committee. Alternatively allocation formulas were used that were based solely and arbitrarily on prior budget percentages.

Thus it would be surprising indeed if school budget cuts were found to be well correlated with declining

enrollment, per pupil expenditures, or other possible indicators of ability to absorb cuts. Just the reverse: It appears that the schools in the older, poorer cities, with arguably the greatest educational needs, were hit the hardest. The question cries out for more detailed study.

There was still another source of educational arbitrariness.

--The distribution of budget cuts within the schools was also in part educationally arbitrary. It is not in the nature of any bureaucracy consistently to give priority to the needs of its clients. School budgets were prepared by school administrators, and layoff policies heavily constrained by teachers contracts; each group was self-protective.

A study of administrative staffing in the five year period of declining enrollment just before Proposition 2½ found evidence strongly suggesting administrative self-protection, particularly in large urban centers and industrial suburbs.[29] In 1975-76 standard economies of scale existed: The larger urban systems had about 20 percent fewer administrators per 1000 students than residential suburbs and rural towns. Five years later, their student bodies had diminished 15 percent; but they now had more administrators than before, and the ratio of administrators to students had caught up to that of the smaller communities. This administrative growth is partly attributable to the staffing

requirements of mandated special education (Ch. 766): but the study also found evidence that large systems were more protective of administrative positions and less responsive to outside pressures for economy.

In the first year of Proposition 2½ administrative self-protection continued. According to the state Department of Education, while teaching expenditures declined by five percent from 1980-81 to 1981-82, general administrative costs (superintendents, assistants and staff) dropped only 0.2 percent.[30]

Teacher self-protectiveness took the form of insistence on adherence to strict seniority principles in layoffs. We have already discussed the ways that seniority may conflict with educational concerns. (V.3) However, in view of the following, it is arguable that failure to observe seniority would have had worse effects.

--Proposition 2½ had a traumatic initial effect on teacher morale. The point hardly needs belaboring. Just as important as the ultimate actual cuts in program and staff was the preliminary uncertainty. If the reality was difficult, the expectations were worse. However impersonal the collective judgement embodied in Proposition 2½, it was difficult not to take it personally, as a judgement on one's chosen career and job performance. Many actively sought alternatives; there was an increase in teacher absenteeism attributed to job quests. Some jumped before they were pushed, particularly science and mathematics teachers with

skills valued by the high tech industries. As "pink slips" went out in April, relationships among teachers were strained; in the words of the president of the Massachusetts Teachers Association, "People are thinking, 'Why me and not you?'".[31] It is hard to estimate the negative effects of all this turmoil on the educational process; but they must have been considerable.

However, the schools stayed open, and the work of education went on. Thanks to new state aid and local economies, the reality was not as bad as "worst case" scenarios. The schools (and public works departments) were fortunate that the winter of 1981-82 was a mild one (Mother Nature was also kind the following year). And some feared consequences did not occur. There was for instance no wholesale flight of students from the public schools. The number of non-public school students rose overall by only 3,916, from 11.50 percent to 12.36 percent of the school-attending population; and local changes showed no correlation with effects of Proposition 2½.[32] The responsibility for educating the children of Massachusetts remained primarily a public one.

The drama of the first year crisis was over, and the spotlight of media attention moved elsewhere. But it is important to emphasize, in concluding this paper, that the impact of Proposition 2½ on Massachusetts schools was just beginning.

--Year-by-year erosion of education due to Proposition 2½ may be more damaging, though less dramatic, than its first year impact: more damaging in large part because it is less dramatic, and hence not immediately visible.

In the first year of Proposition 2½ 276 school districts, with 71 percent of the state's school children, were required to reduce their expenditures. In the second year, by preliminary budget reports this figure dropped to 59 districts, serving 30 percent of the pupils.[33] By the fourth year, all municipalities will probably fall within the law's property tax rate limit of 2½ percent; thereafter their schools have a chance at an annual share of small revenue increases allowed within the limit, and of any new state aid.

But in many cases this fiscal improvement could be merely a recipe for slow strangulation. Even if inflation stays low and no salary increases are negotiated, the schools are each year faced with unavoidable cost increases for such items as medical insurance, pension liabilities, and step increases for an aging staff. Expenditures for capital improvements, equipment, and materials postponed in the first years of Proposition 2½ finally become inescapable. And pressures build up from demoralized parents and teachers to restore courses or programs lost, or merely to try something new (like buying computers). Some systems, not so badly hurt earlier, or with a cushion of declining enrollment, may (with difficulty) be able to accommodate

such increases. But others, especially those property-poorer "15%" communities which have to cut tax revenues twice or even three times to come down to the levy limit, may fall further behind each year. The decline will no doubt finally become sufficiently visible to warrant local override of tax levy limits or state intervention: but by that time, many Massachusetts schools may be in a sorry state.

Those concerned to avoid this scenario are best advised not to attempt to attempt a frontal attack on Proposition 2½. It was aimed primarily at the property tax, not at the schools; and there seems to be very little sentiment for overturning it. Furthermore, to the extent that it was directed at school spending and autonomy, it expressed fundamental voter attitudes that would not go away with its repeal. The primary constituency of the schools has shrunk; but even more important, the public generally is apparently no longer convinced that greater school expenditure yields commensurate educational benefits for the students themselves or for the larger society. In its educational bearings, Proposition 2½ is a dramatic manifestation of the need for the restoration of that confidence.

NOTES

Section I

1. See P2½, pp. 3-11, 293-298: CR pp. 22-27: and Robert Kuttner, Revolt of the Haves: Tax Rebellions and Hard Times, Simon and Schuster, New York, 1980.
2. See e.g., Boston Globe, Feb. 15, 1981, p. 1: and CR, p.31
3. ETV, p.5
4. ETV, p. 32
5. ETL, p.20
6. ETL, p.8
7. Bradbury, K.L. and Ladd, H.F., "The Initial Impacts on State and Local Finances", in P2½, p. 294
8. CR, p. 25
9. P2½, p.9
10. ETV, p.33
11. See Kuttner, op. cit., pp. 309-319.
12. ETV
13. See Bibliography

Section II

1. Source: Department of Revenue
2. More exactly it mandated use of the FY1981 value plus 13% inflation allowance.
3. Source: Department of Revenue.
4. Its 1970 average income was $11,143 as compared with $15,879 in neighboring Wellesley, and $8393 in Waltham.
5. P2½, p. 14
6. Bradbury and Ladd, op. cit., P2½, p. 299
7. SR, p. 5
8. Bradbury and Ladd, op. cit., pp. 294-296, concludes that "a major explanation for high property taxes in Massachusetts is that local governments are not empowered to use other taxes such as income or sales taxes and that they rely less than other states on fees and charges."

NOTES

Section II (cont.)

9. HELP! A guide to Coping with Proposition 2½ for Massachusetts Public Officials, Allan Tosti (ed), Massachusetts Municipal Association, November, 1980. p. 12-16.

10. Memorandum to school districts from the Massachusetts Department of Education General Counsel, "Advisory Opinion on Student Fees", January 19, 1981

11. See P2½, p. 276, 351-55; SR, pp. 7-14

12. P2½ p.48

13. Boston Globe, July 9, 1981, p. 17. Story on Moody's downgrading of bond ratings for a number of municipalities.

14. MMA, pp. 8-10

15. Newton-Brookline TAB, December 24, 1980, p.9

16. The author attended that hearing.

Section III

1. "Proposition 2½ and Fiscal Autonomy of School Committees", Joint Memorandum of Department of Education and Department of Revenue, January 7, 1981

2. Data drawn from P2½, Appendix

3. Source: Your Massachusetts Government

4. Sheehan v. Donato, et al, Superior Court Memorandum of Decision, April 23, 1981 Case No. 81-172

5. Superintendent of Schools of Leominster & others vs. Mayor of Leominster, Supreme Judicial Court 386 Mass. 114 May 4, 1982

6. Sources: primarily Boston Globe accounts. The author was a planner for the City 1970-74.

7. Boston Globe July 17, 1981, p. 15

8. Boston Globe, September 2, 1981, p.13

9. Boston Globe, April 22, 1981, p. 1

NOTES

Section III (cont.)

10. Sources: interviews, local newspapers, PTA newsletter, monograph by Marya Levenson, ML

11. Newton Villager, December 18, 1980, p.8

12. Sources: interviews, P2½ case study pp. 113-128.

13. A Citizen's Guide to School Budgeting in Arlington, Arlington League of Women Voters, 1978

14. Sources: interviews, budget documents.

15. Sources: interviews

16. Shiman, P.L., Human Service Needs: Lynn, Massachusetts Report prepared for Community Development Department, City of Lynn, August, 1976.

17. For additional case materials, see the 13 case studies in P2½. For instance, Cambridge is fully treated.

Section IV

1. Boston Globe, March 9, 1981, p. 15

2. Source: MASC, Section A

3. Bradbury and Ladd, op. cit., P2½, p. 318

4. For accounts of labor relations under Proposition 2½, see P2½, pp. 325-350, and SR, pp. 81-86

5. Levenson, Marya, ML

   Supplemented by local newspapers, PTA newsletter, interviews.

6. Notes taken at town meeting, December, 1980.

7. SR, p. 84

8. Boston Globe, February 11, 1981, p. 29

9. P2½, p. 339

10. SR, p. 83.

11. Robert McKersie, in a Boston Globe column (May 23, 1981, p. 15) called for more careful "cutback management.

NOTES

Section V

1. SR, pp. 19-20
2. Massachusetts League of Women Voters, I2½, Number 41
3. SR, p. 16
4. From Lynn cherry sheet

4a. See I2½, Number 31 for detailed expalnation of the cherry sheet.

5. Sources: Boston Globe accounts, and a draft by Susan Wiltshire.
6. Boston Globe, February 1, 1981, p. 1
7. The author attended its organizational meeting.
8. Column by Michael Segal, Boston Herald American, February 25, 1981, p. B11
9. Boston Globe editorial, July 21, 1981, p. 12
10. Boston Globe, July 17, 1981, p.1
11. P2½, p. 268
12. Boston Globe, July 17, 1981, p.1
13. MASC, Section A.

Section VI

1. DED, p.3
2. DED, p.3
3. DED, p.3
4. MASC, Section B
5. DED, p.3
6. MASC, Section A
7. Bradbury and Ladd, op. cit., P2½, p.317
8. MMA, pp.3-8

NOTES

Section VI (cont)

9. P2½, p. 282

10. According to ETV, pp. 17-18, voters expected that Proposition 2½ would give them more control over school spending.

11. P2½, pp. 270-272

12. Supt. of Schools & others vs. Mayor of Leominster, op. cit.

13. P½, p. 272

14. ibid

15. P2½, pp. 11-15

16. P2½, p.272; SR, p.72

17. Sources: organizational files. The author was organizer and chairman

18. Newton-Brookline TAB, June 17, 1981

19. SR, pp. 75-80

20. Boston Globe, November 2, 1981, p.17

20a. For a discussion of teacher union inactivity in the budget process, see P2½, pp. 336-344

21. P2½, p.176

22. Boston Globe, November 2, 1981, p.18

23. ETV, p.5

24. I2½, Number 41

25. DED, pp. 4-6

26. DED, pp. 6-7

27. Katherine Merseth, Declining Enrollments, Administrative Growth, and Community Type: A Political, Economic, and Organizational Study of Massachusetts Public School Districts, D.Ed. Thesis, Harvard School of Education, 1982, Chapter II.

28. DED underlined quote, applied to figures cited above.

29. Katherine Merseth, op. cit., Chapters III-VI

NOTES

Section VI (cont.)

30. DED, p.5. One would like to know more, since the MASC survey indicated a large number of prospective administrative layoffs.

31. Boston Globe, April 6, 1981, p.1; February 11, 1981, p.21: February 15, 1981, p.94: March 29, 1981, p. A29

32. DED, p. 10

33. DED, p. 11

BIBLIOGRAPHY

of research on Proposition 2½

Abbreviation	
CR	Crisis, special section of the Boston Globe, May 11, 1981
MASC	"The Impact of Proposition 2½ on the Public Schools", a report of the Massachusetts Association of School Committees, April, 1982
ETV	Ladd, H.F., and Wilson, J.B., Proposition 2½ Explaining the Vote, John F. Kennedy School of Government, Harvard University, April, 1981
ETL	Ladd, H.F., and Wilson, J.B.,"Education and Tax Limitations: Evidence from Massachusetts", John F. Kennedy School of Government, Harvard University, December, 1982
DED	Report on the Effect of Proposition 2½ on Massachusetts School Districts, 1981-1982 Commonwealth of Massachusetts Department of Education, Bureau of Data Collection and Processing, Thomas Collins Director.
MMA	Report on the Impact of Proposition 2½, Massachusetts Municipal Association, January, 1982.
P2½	Proposition 2½. Its Impact on Massachusetts Susskind, L.E. (ed), Serio, J.F. (co-editor) a Report from the Impact: 2½ Project at the Massachusetts Institute of Technology, Oelgeschlager, Gunn, & Hain, Publishers, Inc. Cambridge, Massachusetts, 1983.
SR	Status Report. The Impacts of Proposition 2½ The Impact: 2½ Project, Massachusetts Institute of Technology, June, 1983.
I2½	IMPACT: 2½, newsletter of the Impact: 2½ Project, Massachusetts Institute of Technology. 58 issues, May 1, 1981 to September 15, 1983.
ML	Levinson, Marya, "Proposition 2½: A Modern Dilemma for Two Superintendents and Their School Systems", Qualifying Paper, Harvard University School of Education, November, 1981